

South Tees Development Corporation Audit & Governance Committee Agenda

Date: Friday, 23 February 2024 at 11:30 a.m.

Venue: Teesside Airport Business Suite, Teesside International Airport,
Darlington DL2 1NJ

Membership: John Baker Independent Member
Allan Armstrong Independent Member
Mike Sharp Independent Member
Geoff Westmoreland Independent Member
Councillor Curt Pugh TVCA Audit and Governance Committee
Representative

AGENDA

1. **Apologies for Absence**
To receive any apologies for absence.
2. **Declarations of Interest**
To receive any declarations of interest.
3. **Minutes and Action Tracker**
To approve as a correct record the minutes of the meeting held on 12 February 2024.

The Committee is also invited to review progress made against previously identified actions.
4. **Executive Update**

To receive a report from the TVCA Chief Executive providing an update on key matters in relation to STDC since the last Committee meeting.
5. **Update on the Tees Valley Review Report – Teesworks**

To receive and consider a report from the Group Director of Finance and Resources presenting an update and next steps on the Tees Valley Review: South Tees Development Corporation and Teesworks Joint Venture.
6. **Update on Internal Audit Report**

To receive an update from the Group Director of Finance and Resources presenting an update on internal audit actions.

7. External Audit Progress Update

To receive a verbal update from a representative of Mazars, STDC Independent External Auditors. The Committee is to be provided with a briefing on the status of the STDC audits and an update on the launch of a consultation exercise on 8 February 2024 in relation to measures being undertaken to clear the local audit backlog in England.

8. External Audit – Value for Money (VFM) Commentary 2021/22

To receive a verbal update from a representative of Mazars, STDC Independent External Auditors. Mazars have previously updated the Committee that the work on VFM has been substantially completed. The update will provide a forecast publication date of the VFM commentary.

9. External Auditors Final Annual Report 2021/22

To receive a verbal update from a representative of Mazars, STDC Independent External Auditors. Mazars have previously updated the Committee that the audit has been substantially completed. The update will provide a forecast signing date.

10. Forward Programme

To receive and consider the Committee's forward programme up to June 2024.

11. Review and Approval of Draft STDC Annual Governance Statement 2022/2023

To receive and consider the draft STDC Annual Governance Statement 2022/23 for members' approval.

12. Landfill Tax on Brownfield Site

To receive a verbal update from the Group Director of Finance and Resources in relation to Landfill Tax on Brownfields Site.

(This item is exempt under the terms of paragraph 3 of schedule 12a Local Government Act 1972, (information relating to the financial or business affairs of any particular person (including the authority holding that information)).

13. Update on Environmental, Health and Safety Report

To receive and consider a report from the Environmental, Health, Safety and Security Director on matters in relation to health and safety for the period covering 1 September 2023 to 1 February 2024.

(The report and appendices are exempt from publication under the terms of paragraph 3 of schedule 12a Local Government Act 1972, (information relating to the financial or business affairs of any particular person (including the authority holding that information)).

14. Risk Management Report

To receive and consider a report from the Head of Performance, Risk and Assurance presenting the South Tees Development Corporation's Risk Portfolio as of February 2024.

(The report and appendix are exempt from publication under the terms of paragraph 3 of schedule 12a Local Government Act 1972, (information relating to the financial or business affairs of any particular person (including the authority holding that information)).

15. Date and Time of Next Meeting

Thursday, 30 May 2024 at 1.00 p.m.

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:
tvcagovernance@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) AUDIT & GOVERNANCE COMMITTEE

These minutes are in draft form until approved at the next Board meeting and are therefore subject to amendment

Date: Monday 12th February 2024

Time: 14:30pm

Venue: Teesside Airport Business Suite, Teesside International Airport

| Attendees: | | Apologies: |
|----------------------------|----------------------------|------------------|
| Allan Armstrong (AA) | Independent Member (Chair) | Cllr Curt Pugh |
| John Baker (JB) | Independent Member | Cath Andrews |
| Mike Sharp (MS) | Independent Member | Andrew McCulloch |
| Geoff Westmoreland (GW) | Independent Member | |
| Gary Macdonald (GM) | TVCA | |
| Victoria Smith (VS) | TVCA | |
| Emma Simson (ES) | TVCA | |
| Mark Kirkham (MK) | Mazars | |
| Derek Weatherill (DW) | Teesworks | |
| Natalie Robinson (NR) | Teesworks | |
| Elaine Braham – Governance | TVCA | |

| No. | Agenda Item | Summary of Discussion | Actions Required | Responsibility |
|-----------------------|--|---|------------------|----------------|
| STDC-A&G 19/2023. | Welcome & introductions | Allan Armstrong, Independent Member, (AA), welcomed members to the Meeting. | | |
| STDC-A&G 20/2023 | Apologies for Absence | Apologies for absence were noted and submitted as above. | | |
| STDC-A&G 21/2023 | Appointment of Vice Chair | AA requested nominations for the role of Vice Chair. Geoff Westmoreland, Independent Member, (GW), proposed himself for the role, this was seconded by John Baker, Independent Member, (JB), and was ratified by the Committee. RESOLVED THAT: That Geoff Westmoreland, Independent Member be appointed as Vice Chair of the STDC Audit & Governance Committee. | | |
| STDC-A&G 22/2023 | Declarations of Interest | John Baker, Gary Macdonald, Group Director of Finance & Resources, (GM), and Derek Weatherill, Environmental, Health, Safety & Security Director, (DW), each declared that they are members of the STDC Site Company Board. | | |
| STDC - A&G 23/2023 | Minutes of Previous Meetings & Action Tracker | The minutes of the meeting held on the 1 August 2023 were agreed as a true record subject to the below comments: <ul style="list-style-type: none"> Mark Kirkham, Mazars, (MK) noted that the minutes state that DW had seconded AA's appointment as Chair. It was affirmed that AA's appointment had been unanimously agreed by members and DW had not been involved in this process, that this was an error in the draft minutes. Page 4 – Risk Register – GW asked if this had been updated, NR noted that these will be covered in the risk report that will be presented at the meeting on 23 February 2024. | | |

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| | | <ul style="list-style-type: none"> • Page 6 – VS advised that a further letter had been received from the Department for Levelling Up, Housing & Communities, advising that consultation on their proposals which propose a backstop date of 30 September 2024 will commence shortly. The letter will be included on the external item update at the 23 February 2024 meeting. • Page 7 – VS confirmed that responses had been shared. • Page 8 – Audit Strategy Memorandum on agenda today. • Page 10 – Away Day, still to be organised. • Page 10 – Annual Refresher Briefing Session to be arranged in conjunction with the away day. <p>The below clarification was made in respect of Action Tracker items:</p> <ul style="list-style-type: none"> • Inductions and site visit have been completed. • Risk Update to be covered in private session on 23 February 2024. | <p>Letter to be shared with Members</p> | <p>VS/Governance</p> |
| <p>STDC-A&G 24/2023</p> | <p>Independent Review Report - Teesworks</p> | <p>The Committee were provided with an update report and associated appendices in respect of the Independent Review into the Tees Valley Combined Authority's oversight of the South Tees Development Corporation and Teesworks Joint Venture (Teesworks Limited).</p> <p>It recommended that the Committee:</p> <ol style="list-style-type: none"> i. Notes the report and notes the work TVCA is coordinating to respond to the Secretary of State and the timescales within which TVCA is working; ii. Notes the recommendations for His Majesty's Government within the report; iii. Notes the STDC Audit and Governance Committee role in considering the Tees Valley Review report and providing its feedback in respect of the same, as detailed in paragraph 6 of this Report; and iv. Approves the proposed process to respond to the recommendations from the Tees Valley Review report, detailed in Paragraph 5 and 6 of this report, including the report, including the submission of recommended actions to Tees Valley Combined Authority (TVCA) Cabinet AGM in 2024. | | |

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| | | <p>GM noted that members had received a copy of the Terms of Reference, Independent Review and the letter from Rt Hon Michael Gove MP, Department for Levelling Up, Housing & Communities dated 29 January 2024, all of which are available in the public domain. The Tees Valley Review which was commissioned by the Secretary of State for the Department for Levelling Up, Housing & Communities on 7 June 2023, concluded that they found no evidence of corruption or illegality. The report makes a series of twenty-eight recommendations which details a range of governance and transparency matters to be considered.</p> <p>The next stage requires that TVCA alongside Local Authority partners respond to the Secretary of State by the 8 March 2024 detailing how we propose to address the recommendations. Work is ongoing and following consultation with partners and this committee a response will be submitted before the deadline. Once the response is returned it is envisaged that this will also be published on the Government website and the implementation phase will commence.</p> <p>The Committee were invited to ask questions, and these are summarised as follows:</p> <ul style="list-style-type: none"> • AA noted recommendation twenty-seven, which states <i>'Director of Finance and Resources review internal audit arrangements and provide advice to both TVCA and STDC Audit Committees as to how these can be strengthened. Consideration should be given to securing CIPFA or other external support to provide independent assessment of proposed changes'</i> and asked if the make-up of this committee will meet the recommendations of this report. GM felt that a review would be a logical piece of work and confirmed the organisation intended to implement the recommendation. VS added that recruitment over the previous 12 months had focused on ensuring members had the skills required for activities STDC carries out. With a focus on risk, financial and commercial recruitment for the committee. • JB asked if the response to the Secretary of State will cover this level of detail. GM explained that it will give an overview of how TVCA will address the recommendations, and this will be part of the implementation phase. He further noted that the recommendations will also be discussed with both internal and external audit. • GW noted that the report makes reference to things not being as expected, and asked if there is 'a best-in-class level' to be able to develop our structure around. GM advised that they will consider any best practice structure that is available as part of implementation activity. | | |

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| | | <ul style="list-style-type: none"> • JB noted that this will be an extensive task and asked if the time available will allow enough time to achieve what we are expected to achieve. GM explained that TVCA want to ensure that they do a thorough job, taking into account best practice, noting this is a significant regeneration project. Whilst TVCA feel they are doing well, if there is a way in which they can enhance this then they are open to this. • AA noted that page 2, item 6, of the Independent Review Report – Teesworks, asks that STDC A&G Committee Members provide feedback to inform TVCA's work on the response to the Secretary of State by no later than Friday 23 February 2024, and asked how TVCA would like to receive this feedback. GM asked that this be submitted via the Governance Team. • GW asked if the inspectors had defined what liabilities and risks, they are referring to, as at times it appears to be a catch all. GM noted that we capture financial risk and liabilities as part of the risk and financial management process. VS advised that the financial statements were complete with regards to financial liabilities. • AA felt it would be beneficial to see positive statements from the O&S Committee to give assurance that the right questions are being asked at the right times. GM confirmed that respective roles and responsibilities would be covered as part of the implementation process. <p>RESOLVED THAT: the Committee noted the report.</p> | <p>Members to be provide feedback</p> | <p>Committee Members</p> |
| STDC-A&G 25/2023 | <p>Summary Internal Controls Assurance Update</p> | <p>The Committee received a report providing an update on the emerging Governance, Risk and Internal Control related issues and the progress of work at TVCA, South Tees Development Corporation as at 20 November 2023.</p> <ul style="list-style-type: none"> • In Andrew McCulloch's absence Natalie Robinson, Head of Performance, Risk & Assurance, (NR), provided a brief overview. A number of audits are at field work stage, whilst others have recently commenced, and they are ensuring that the framework and risks are aligned. Once reports have been received these will be shared with members. <p>The Committee were invited to ask questions, and these are summarised as follows:</p> | | |

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| | | <ul style="list-style-type: none"> AA noted that it had been some time since the committee last met and asked if there is anything they need to be aware of. NR noted that TIAA are sharing their learning with TVCA and this in turn has been shared with our staff. <p>NR updated that the two audits noted in yellow in the pack should be received in the near future, and the risk audit commenced last week.</p> <p>RESOLVED THAT: the Committee noted the update.</p> | | |
| STDC- A&G 26/2023 | External Audit Strategy Memorandum 2022/23 | <p>The Committee had received the Audit Strategy Memorandum, South Tees Development Corporation year ended 31 March 2023 which summarised Mazars audit approach, highlighted significant audit risks and areas of key judgements.</p> <ul style="list-style-type: none"> MK explained that he had provided audit services to the organisation within the last 5-year period and asked that this be noted as a disclosure. He advised that in light of this he could not provide comment on the audit memorandum but would take questions away for the team to respond to. <p>The Committee were invited to ask questions, and these are summarised as follows:</p> <ul style="list-style-type: none"> MS noted that during his term Cameron Waddell, Mazars (CW) had never attended and felt that as a partner he should be in attendance at these meetings. This was echoed and supported by all other members of the committee. MK noted the comment and would take this away. VS noted management overriding controls is a significant risk on all audits and this was confirmed by MR. VS noted that in the public sector significant risks on pensions and PPE valuation were commonly significant risks on all audits and MK noted that there is commonality of these two risks across a number of sectors in public sector audit. VS discussed the significant risk in relation to debtors and clarified for the committee that the risk reduces as additional tenants are secured and therefore further income streams secured. <p>RESOLVED THAT: the Committee noted the update.</p> | | |

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| STDC- A&G 27/2023 | Draft Accounts Update | <p>The Committee received a verbal update from VS in respect of the draft accounts.</p> <p>VS reported that amendments in respect of the VAT treatment between STDC, BEIS and STSC needed to be reflected in the 2021/22 accounts due to ongoing discussions with HMRC. Further guidance had been provided and PWC are representing STDC in this matter. However, the impact to the bottom line for the STDC group is nil, as it relates to the way the funding passes through TVCA to STDC/STSC. There is no additional payments or receipts due.</p> <p>The Committee were invited to ask questions, and these are summarised as follows:</p> <ul style="list-style-type: none"> • MS asked if it could be a 'note to the accounts' if it is cost neutral. VS stated that we involved PWC as HMRC wanted STDC group entities to pay interest on VAT that were due from one group entity and then reclaimed by another, this has now been accepted by HMRC as not being due. There is a request that the team at HMRC consider all of the elements together and this would avoid this ongoing matter. GM noted that we have done what we can to mitigate against risk, we will update the statements to accounts and whilst frustrating it is required. • VS noted that PWC have provided advice, and we will ensure that we are compliant in all areas. • MK, noted the comment in relation to making a note to the accounts, and explained that given the numbers involved Mazars could not proceed to sign off without this item being resolved. The balances would be grossed up and no impact to the bottom line. • MS asked if the accounts had already been signed would we restate, VS confirmed that the column would state restated. • GW asked what needs to be completed to enable sign off of the accounts. MK noted that Mazars would wish to sign off as timely as possible, and believed that once they receive the statements, they will progress the signing off process, whilst taking into account the Independent Review report. • MK advised that the team at Mazars are currently working on the 22/23 accounts. VS explained that Mazars have requested a valuation for the Teesworks Skills Academy, | | |

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| | | <p>and this has been commissioned, but it is unlikely to be a material valuation movement given the property is below materiality.</p> <ul style="list-style-type: none"> • VS clarified that the audit commenced on 5 February 2024, the team had responded to every request for information within 48 hours, and based on the volume of requests coming through it would appear that they are making progress. • GM noted that a further STDC Audit & Governance Committee is scheduled for 23 February 2024, and it would be beneficial to agree the key activities still to be completed in order to give committee members an overview. • MS noted that this again highlighted why CW should be in attendance at the meeting and MK was accepting of this. • JB asked what the penalty will be. VS explained that STDC have been fined £3k in relation to Corporation Tax and that further penalties are expected. The CT return cannot be submitted until the accounts have been signed off. MS noted that at the August meeting Mazars had advised that they could not sign off the accounts until they had received the outcome of the Independent Review. He felt that this could have been completed and asked if Mazars are going to contribute to the payment of the fines. MK noted the dissatisfaction and whilst taking the comments very seriously, was unable to answer this question. • GM acknowledged that it is unhelpful not getting the accounts signed off, as the longer they are open the more you may ultimately have to amend to reflect any items at the date of the signed statements. It was noted that the proposed national backstop, will effectively mean any accounts that have not been signed off by the 30 September 2024, will not be completed. VS noted that SDTC will still be required to pay the fees to the auditors, and they would not have a completed audit opinion. VS advised that it is unlikely the STDC will be in this position given the audit work for 21/22 is complete and 22/23 is ongoing. However, it is ultimately with Mazars to complete the sign off. • JB stated that his understanding from the August meeting was that once Mazars had the outcome from the Independent Review they would be in a position to sign off the accounts, yet now they require further information. AA confirmed JB's recollection, and asked MK how we get them signed off. MK noted the expressions of dissatisfaction which he advised he takes seriously, and explained it is the audit team that will be taking on board the Independent Review findings. | | |

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| | | <ul style="list-style-type: none"> • JB asked if the fees are increasing during this time, GM explained that this will be a conversation that STDC will have with audit colleagues and the Public Sector Audit Appointments Service (PSAA). • GM noted that it is an area of governance that needs to be resolved in order to develop the governance framework, and the audit helps provide a line in the sand from which to move forward. • Members asked for assurance that a member of Mazars who would be able to answer their questions would be at the next meeting, MK confirmed that a member would be in attendance. The committee and GW asked that this specifically be CW. <p>RESOLVED THAT: the Committee noted the update.</p> | | |
| STDC-A&G 28/2023 | Review & Approval of Draft STDC Annual Governance Statement | <p>The Committee received a report in respect of the draft Annual Governance Statement for 2022/23.</p> <p>It recommended that Members note the content of the draft Annual Governance Statement for 2022/23 included at Appendix 1 and either:</p> <ol style="list-style-type: none"> i. Provide comments for consideration when submitted to the next meeting of the South Tees Development Corporation Board; or ii. Recommend to the South Tees Development Corporation Board that the Statement be approved as draft. <p>VS highlighted that this is the draft STDC Annual Governance Statement for the year end 22/23. ES noted that the Statement reflects a point in time therefore will need to be signed off for this year with the information at hand.</p> <p>The Committee were invited to ask questions, and these are summarised as follows:</p> <ul style="list-style-type: none"> • The committee felt it should not wait on the Independent Review response and felt that the focus needed to be on 22/23, noting that March 24 will take into account of the Independent Review response and whether that is sound and meets the recommendations. | | |

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| | | <ul style="list-style-type: none"> • MK noted that he is not in a position to be able to advise members. However, looking back 21/22 had been signed by the Mayor and CEO, members should think closely about the statement which talks about external validation, which does not appear to tally 100% with the findings of the report. VS explained that where it references being validated by external opinion it is referencing the audits that had been received, and they concluded that from a value for money perspective that no significant weaknesses had occurred. VS also noted that the audit completion report for 22/23 stated while not finalised the outcome was expected to be the same per the completion report we had received. MK stated that validation is not an audit outcome, what they may have said is they did not find any area of significant weakness. • MK noted the concern raised that TVCA might need to be significantly into the implementation phase before the accounts would be signed off and noted that the headlines and work streams could be incorporated into the governance statement. • MS stated that he was happy with the statement, with a note to say that an Independent Review had been undertaken and would be considered in the next Annual Governance Statement (AGS). • GM advised that we will know how we are approaching the recommendations by the 8 March 2024, and there was a possibility of recognition in this AGS. MS stated that in doing so we are accounting for hindsight and there is no accounting for hindsight, and felt we needed to close off and address it in the next statement. • Members agreed that a paragraph would be added to the conclusion to advise that an Independent Review had been undertaken and we would respond to the recommendations in due course. • Members affirmed that they agree to this approach, and the updated report is to be returned to the meeting on 23 February 2024. • VS noted that the External Audit accounts for 21/22 are on the agenda for 23 February 2024, MK believed it was unlikely that Mazars would be in a position to conclude these. GM felt that it was a realistic expectation that Mazars be in a position to provide an update to members. • MS asked that a full update be provided by Mazars to the next meeting. • GW asked what the standing liabilities look like. VS explained that the accounts are complete and include the liabilities, and that the comments pertain to whether the board are aware of the liabilities and TVCA are highlighting them appropriately to them. | <p style="text-align: center;">Statement to be modified to reflect discussion</p> | <p style="text-align: center;">ES</p> |

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| | | <ul style="list-style-type: none"> • VS explained that a significant level of work had been undertaken during the last week in terms of financial modelling and given some of the recent announcement STDC's liabilities exposure is reducing, and that the risk is reduced from 6 months ago and continues to as tenants are signed up. • MS noted that the forward programme is rather heavy. VS advised that this was already under consideration with a view to moving some items to later meetings. • GW noted that we need to be compliant in terms of the constitutional requirements. <p>ES took into consideration the committees' comments and agreed with their proposal that the AGS be updated to reflect the Tees Valley Review, the recommendations therein, and the proposals to address them.</p> <p>RESOLVED THAT: the Committee noted the Annual Governance Statement and the recommendation from members to acknowledge the Independent Review within the conclusions.</p> <p>RESOLVED THAT: the amended Annual Governance Statement to be brought to the meeting on 23 February 2024 for approval.</p> | | |
| STDC-A&G 29/2023 | Date & Time of Next Meeting | 23 February 2024 | | |

ITEM 3

| Meeting | Item | Action | Owner | Target Date | Update |
|-----------|--|---|--------------|-------------|---|
| 03-Feb-23 | Risk Management Report | Review reputational risks across the portfolio to make sure these reflect current topics. | NR | Jan-24 | Included in risk item on agenda |
| 17-Mar-23 | External Audit Completion Report Update 2021/22 | Sign off Accounts subject to no material changes. | GM/Directors | | |
| | | Updated Accounts to be shared with the Committee. | VS | TBC | |
| 20-Apr-23 | Members Briefing | Devise a standard list of questions members should have at the forefront of their mind to ensure aligning to standards expected in their remit - to be included in Agenda at Future Away Day. | NR | Jun-24 | |
| | | A future meeting to be held at Teesworks as an away day. | Governance | Jun-24 | |
| 01-Aug-23 | External Audit Update | VS to share letter from the Department for Levelling Up, Housing & Communities dated 18 July 2023 with members. | VS | | Complete - Update letter shared 14 Feb 24 |
| | | Following GM attendance at a webinar on 1 August 2023 GM to provide an update to members at the next committee meeting. | GM | Dec-23 | To be included in December meeting |
| | | Audit Strategy Memorandum to be brought to the next meeting. | VS/ Mazars | Dec-23 | Presented at 12th Feb 2023 |
| | Annual Review of Committee Terms of Reference | To be included in Agenda at future Away Day | Governance | Jun-24 | |
| | Review & Analysis of Committee Effectiveness Survey & Skills Audit | To be included in Agenda at future Away Day | Governance | Jun-24 | |
| 12-Feb-24 | Independent Review Report - Teesworks | Members to provide feedback to TVCA Governance by 23 February 2024 | Members | Feb-24 | |
| | Approval of Draft Annual Governance Statement | Statement to be modified to reflect discussion and returned to the meeting on 23 February 2024. | ES | Feb-24 | Complete |

Completed actions archived

EXECUTIVE UPDATE

SUMMARY

The purpose of this report is to provide the South Tees Development Corporation (STDC) Audit and Governance Committee with an activity update since the last meeting.

RECOMMENDATIONS

It is recommended that the STDC Audit and Governance Committee notes the content of this report.

DETAIL

DECONTAMINATION PROJECT AND COMAH STATUS

1. A key obligation imposed on STDC in the original Business Case when the South Tees Site Company (STSC) transitioned to local control, was to deliver the Decontamination Project. The contract was procured prior to 2019 when HMG were in control of STSC, and which was responsible for decontaminating the 27km of coke oven gas main and 8km of heavy fuel oil main. This was the most significant aspect of work that had to be done to free the site from its Top Tier COMAH status and is the largest single contract delivered by STSC.
2. This contract is now complete, with the exception of 3km of heavy fuel oil main which was removed from the contract scope due to accessibility issues and will be picked up in the future as we develop the land. The COMAH substances arising from that contract have been safely disposed of and any remaining levels are now well below the COMAH threshold.
3. COMAH inventory materials quantities are now below the required thresholds of COMAH status. The Environment Agency (EA) confirmed on 15 November 2023 that the COMAH status has been removed from site.

INDEPENDENT REVIEW

4. The independent Tees Valley Review Report was published on 29 January 2024 and following a letter from the Secretary of State to the Tees Valley Mayor, a response to the recommendations is currently being produced with Local Authority partners. The

Committee received a separate update on this at the last meeting, with a further update as Agenda Item 5 in this meeting.

FREEPORT

5. Two new Freeports in Wales and, in addition, eight Investment Zones have been announced. The Investment Zones are expected to complement the Freeports.
6. The Freeport Governance Board met in December 2023 and following a Governance and workstream review agreed the two workstream responsibility areas that would consider thematic activity on behalf of the Freeport Governance Board :-
 - Risk and Accountability for Public Finance (Chaired by Councillor Alec Brown, Freeport Board member and Leader of RCBC)
 - Inward Investment and Marketing (Chaired by Siobhan McArdle, Freeport Board member and Chair of Tees Valley Business Board)

Tax Zones

7. On Tax Zone West (at South Bank, Dorman Point and Lackenby), all demolition works have been completed. Of the c. 500 acres of land making up this tax zone, almost 200 acres have been remediated and readied for development, of which SeAH has taken a lease on 90 acres. A further 60 acres of land are presently the subject of ongoing remediation works. On Tax Zone East, all demolition works are complete. Regarding remediation in this tax zone, works are ongoing on 18 acres adjacent to Steel House, on the site of the proposed Park and Ride facility.
8. Tenant interest is strong and continues to grow across the Teesworks site including the tax zone areas with multiple tenants at various different commercial stages of development. Not only is the investment in the Teesside Freeport attracting high interest with tenants but also existing tenants are investing in the region and the supply chain with the most recent notable example being SeaH Wind's commercial agreement with British Steel for steel for its manufacturing facility at South Bank.

UTILITIES

9. The work continues to develop the private wire network. Discussions with third parties are ongoing on the joint venture procurement of Teesworks' power needs. Teesworks Ltd is exploring and developing commercial options for the ongoing future development of the private wire network on site. All stakeholders are working for the JV to be in operation by the end of Q2 2024.
10. Work to connect and accommodate SeAH's power requirements continues with all four transformers delivered in location. Substation buildings are erected with switchgear in place in 11kV substations. Cable installation preparation continues along with 66kV busbar and switchgear installation.

11. STDC is working closely with Network Rail for excavations required as part of the cable installation in proximity to a rail embankment.
12. A higher capacity supply of 12 MVA for SeAH's construction supply was installed during October and energised on 30th October 2023.
13. Replacement of cabling to allow for clearance of NZT site has undergone a procurement process. It was anticipated that the contract would be awarded before the Christmas break. However, FID for NZT has been delayed by 6 months, this has had a consequential domino effect on the contract award date for the cable project.
14. Strategy for the network, optimisation of existing assets and the ability to supply potential customers is ongoing. Development planning is ongoing to understand further requirements for additional future developments.

PROGRAMME DEVELOPMENT

15. Dorman Point
 - Approximately 80 acres of land have now been remediated, amounting to around 60% of the developable area of the Dorman Point site.
 - Contractual negotiations on the leasing by Circular Fuels of 24 acres of land at Dorman Point are well advanced, which, when concluded, will trigger a further phase of remediation of some 20 acres, along with the design and construction of the extension to the East-West road link through the site and the subsequent installation of various utilities, such as HV power, gas and water.
16. South Bank
 - Construction of South Bank Quay Phase 1 is complete. Work continues on the design of its onshore utilities infrastructure, with construction work due to commence early in 2024, to be complete ahead of the Quay becoming operational late Q2 2024.
 - Construction of the South Bank Link Road achieved practical completion in December, with the conclusion to the carriageway surfacing works.
 - Regarding the South Bank Watercourse, Phase 1A (adjacent to the SeAH site), comprising 650 linear metres, is complete. Works on Phase 1B and 2A (a further 650 linear metres), by local firm Applebridge, are progressing and remain on programme. Phase 2B (the final phase) is now scheduled to commence construction in Q1 2024, for completion in July 2024.
17. Demolition Works Programme
 - The demolition programme is 99% complete. The remaining demolition works, comprising the TMO offices and neighbouring facilities, are linked to the provision of the NZT site for BP; and based on latest BP timescales, these works are now scheduled to commence towards the end in Q2 2024.
18. Net Zero Teesside

- Ground remediation works to prepare the 100-acre NZT plot are progressing, with the project now 55% complete. BP has recently withdrawn the requirement for accelerated working, further to the NZT project FID date moving back six months to September 2024. Consequently, the remediation project is working to a revised practical completion date of 31-Jul-24.

19. Teesworks Park and Ride Facility

- Advance earthworks to prepare the site for construction of the Park and Ride project are progressing and will conclude in Q1 2024.
- Phases 1 and 2 of the project comprise the new signalised junction on the A1085 Trunk Road and 700m of internal access road. Design works are complete and the tender for construction of these phases is to be issued very soon. The design of Phase 3, comprising the car park and supporting operational facilities has recently been completed and will be tendered for construction in March. Delivery of the Park and Ride facility is linked to BP's construction schedule for the NZT project, which has recently been revised.

20. Key Risks to Delivery

- As noted, STDC is working on several significant projects all of which carry delivery risks. These are actively in mitigation through the comprehensive project management and related project controls processes being implemented by our appointed consultants, with robust project plans in place, regular project progress reviews being held, and intervention actions being taken, where necessary, to address potential impacts to cost and schedule, and ensure delivery to programme.

EQUALITY & DIVERSITY

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

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TEES VALLEY REVIEW REPORT - UPDATE

SUMMARY

The purpose of the Report is to provide the Committee with an update regarding the response to the Tees Valley Review – the independent review into Teesworks.

RECOMMENDATIONS

It is recommended that Audit and Governance Committee: -

- i. Notes the update in respect of the response to the Tees Valley Review.

DETAIL

BACKGROUND

1. On 12 February 2024, the Committee received an update following the publication on 29 January 2024, of the Tees Valley Review into the Teesworks Joint Venture.
2. The Cross Authority Working Group, which membership includes Statutory Officers from all 5 Constituent Authorities has now been established and met for the first time on 13 February 2024.
3. At its meeting on 13 February 2024, the Cross Authority Working Group:
 - Discussed Terms of Reference and agreed that they would be taken to the next Tees Valley Chief Executive's meeting for agreement.
 - Agreed an approach to each of the recommendations, and where within the group's membership responsibility lies for addressing them to bring back to the group's next meeting.
 - Noted that some of the recommendations were directly for government.

FINANCIAL IMPLICATIONS

4. It is not expected that there will be any financial implications arising from this Report.

LEGAL IMPLICATIONS

5. It is not expected that there will be any financial implications arising from this Report.

RISK ASSESSMENT

6. A risk assessment of the recommendations contained within the Tees Valley Review Report will be formulated alongside the development of any responses to the report.

CONSULTATION

7. The Tees Valley Review Terms of Reference and Report are all published on the Governments website and copies of the report are available to all local stakeholders. The content of the report will be discussed with Local Authority representatives as part of the normal TVCA processes.

EQUALITY & DIVERSITY

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

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REPORT TO THE STDC AUDIT AND GOVERNANCE COMMITTEE

23 FEBRUARY 2024

REPORT OF GROUP DIRECTOR OF FINANCE AND RESOURCES

INTERNAL AUDIT REPORT

SUMMARY

This report presents the position of current Internal Audit action plan progress as of June 2023.

RECOMMENDATIONS

It is recommended that the STDC Audit and Governance Committee

- i. Consider the analysis and audit progress set out in this paper.
- ii. Acknowledge the annual audit schedule.

DETAIL

- iii. This report presents STDC audit actions and their progress as of June 2023.

Process

Using a risk-based approach, the internal audit schedule is agreed with the Senior Leadership Team and the Audit and Governance Committee, this ensures the STDC are assessing the effectiveness and efficiency of controls mitigating key risks.

The process of internal audit is monitored by the Risk Management team, to ensure effective tracking of actions is in place. All actions are tracked via a spreadsheet which is shared with action owners for updates.

The Risk Management team facilitate reporting of internal audit actions and provide support to Risk Owners to drive delivery performance.

Annual Audit Plan

The annual audit plan has been agreed using a group approach which cover core risk and processes as well as programme/project specific audits.

| Audit area | Planned Quarter | Current Status |
|----------------------------------|-----------------|---|
| Governance – Strategic Control | 3 | Provisional date 16 th January 2024 |
| Key Financial Controls | 3 | Date to be confirmed |
| ICT Disaster Recovery | 4 | Fieldwork commenced 6 th November 2023 |
| Data Protection – GDPR | 4 | 20 th November 2023 |
| Risk Mitigating Controls | 4 | 5 th February 2024 |
| Control of Major Accident Hazard | 4 | To be confirmed |
| Follow up | 4 | 18 th March 2024 |

Action plan delivery since last report

Of the 4 action plans tracked in period, 2 have subsequently closed due to mitigating actions being implemented.

COMAH

- Disaster Management - speaker system across south bank operating.

Follow up 22/23

- Assurance of risk-based approach to assurance activity – annual plan scoped using strategic risk register.

Remaining action plans in progress:

| Audit Title | Action Plan Status |
|----------------------------|--------------------|
| Effectiveness of AGC 22/23 | In progress |
| Logic models 22/23 | In progress |

Action Overview

| Audit | Original Delivery Date | Revised Delivery Date | Status | Action |
|----------------------|------------------------|-----------------------|-------------|--|
| Effectiveness of AGC | 30/09/2023 | 31/12/2023 | In Progress | A succession plan will be produced detailing potential successors and how they are to be developed and mentored. Due date has been revised and changed to September. |
| Effectiveness of AGC | 30/09/2023 | N/A | Complete | A training plan will be developed for the members which details the training to be undertaken during the year, this will also include any gaps identified through the skills and experience assessment. Due date has been revised and changed to September. Skills Assessment complete. Induction activity complete. |
| Effectiveness of AGC | 30/09/2023 | 31/12/2023 | In Progress | A reporting line from the AGC to the Board will be established to help promote transparency and oversight over the duties discharged to the AGC by the Board. Due date has been revised and changed to September. |
| Logic Models 22/23 | March 2023 | N/A | Completed | Assurance Framework will be updated in a timely manner in line with its review date. Assurance Framework review completed. |
| Logic Models 22/23 | March 2023 | 31/12/2023 | In Progress | The Group will ensure that all quarterly (and annual when required) reports are appropriately validated and authorised, with documented evidence to support the validation and authorisation processes. |

TEESWORKS

| Audit | Original Delivery Date | Revised Delivery Date | Status | Action |
|--------------------|------------------------|-----------------------|-------------|--|
| Logic Models 22/23 | 31/10/2023 | 31/12/2023 | In Progress | TVCA will ensure that electricity supply upgrade works are dealt with in a timely manner and will ensure appropriate mitigating actions are taken to reduce the risk of subsequent delays. |

FINANCIAL IMPLICATIONS

- iv. There are no direct financial implications arising from this report.

LEGAL IMPLICATIONS

- v. There are no direct legal implications arising from this report.

RISK ASSESSMENT

- vi. The content of this report is categorised as low to medium risk.

CONSULTATION & COMMUNICATION

- vii. None required.

EQUALITY & DIVERSITY

- viii. No impacts.

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South Tees Development Corporation - Audit & Governance Committee

Forward Programme 2024/2025

Standing Items

- Declarations of Interest
- Minutes from the Previous Meeting and Action Tracker
- Executive Update
- Internal Audit Actions Update
- Internal Audit Progress Report
- External Audit Actions Update (get superseded when we have a annual report)
- External Audit Progress Report (ditto)
- Risk Management Report (Confidential)
- Health & Safety (EHS) Update (Confidential)
- Forward Programme
- Date of the Next Meeting

| STDC Audit & Governance Committee | |
|---|---|
| <i>Proposed Items to be scheduled</i> | |
| Date | Item |
| 1 st August 2023 | Committee Self Evaluation/Skills Audit Results & Analysis Annual Review of Committee Terms of Reference Internal Audit 2022/23 Annual Opinion |
| 1 st December 2023 (stood down, re arranged for 23 January 2024, stood down) | Draft Accounts Update Review & Approval of Draft STDC Annual Governance Statement 2022/23 External Audit Strategy Memorandum 2022/23 Summary Internal Controls Assurance Update Landfill Tax on Brownfields Sites Teesworks Update |
| 12 th February 2024 | Review Report Process Summary Internal Controls Assurance Update External Audit Strategy Memorandum 2022/23 Draft Accounts Update Review & Approval of Draft STDC Annual Governance Statement 2022/23 |
| 23 rd February 2024 | Independent Review Report Teesworks Update External Audit – VFM Commentary 2021/22 External Auditors Final Annual Report 2021/22 Landfill Tax on Brownfields Sites |
| TBC - Provisionally 30 May 2024 | Oversight of Governance Toolkit Review of Anti-Fraud Policy |

| | |
|---------------------------------------|--|
| | <p>Review of Whistleblowing Policy Review of Governance Policy and Framework External Audit – VFM Commentary 2022/23* External Auditors Final Annual Report 2022/23*</p> <p>* <i>Rolled forward as not available for sign off</i></p> |
| TBC – Provisionally 17 June 2024 | <p>Review of Risk Management Policy & Framework (including Oversight of Risk & Control Processes) Review of Assurance Framework</p> |
| Away Day – Provisionally July 2024 | <p>Annual Refresher Session on remit and function of the Committee Standard List of questions members should have at the forefront of their mind to ensure aligning to standards expected in their remit Committee Terms of Reference Review of Committee Effectiveness Survey & Skills Audit</p> |
| TBC - Provisionally 12 September 2024 | <p>Freeport Deep Dive and Compliance* Annual Review of Terms of Reference (previously approved 01-08-23)</p> <p>* <i>Rolled forward due to volume of agenda items</i></p> |
| TBC - Provisionally 21 November 2024 | TBC |
| TBC - Provisionally 20 March 2025 | TBC |

Contact:

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REVIEW & APPROVAL OF DRAFT SOUTH TEES DEVELOPMENT CORPORATION ANNUAL GOVERNANCE STATEMENT 2022/23

SUMMARY

This report presents to Committee Members South Tees Development Corporation's draft Annual Governance Statement for 2022/23.

RECOMMENDATIONS

It is recommended that Members note the content of the draft Annual Governance Statement for 2022/23 included at **Appendix 1** and either:

- (1) provide comments for consideration when submitted to the next meeting of the South Tees Development Corporation Board; or
- (2) recommend to the South Tees Development Corporation Board that the Statement be approved as drafted.

DETAIL

1. The Accounts and Audit Regulations 2015 require all public authorities in England to conduct a review at least once a year of the effectiveness of its governance framework and produce an Annual Governance Statement which will be published online to accompany its Statement of Accounts.
2. The Annual Governance Statement will be presented for approval to the South Tees Development Corporation Board at its next meeting.
3. Following approval by this Committee and by the South Tees Development Corporation, the Annual Governance Statement will be signed by the Chair of the South Tees Development Corporation and the Group Chief Executive. A key objective of this signing off process is to secure corporate ownership of the Statement's contents.
4. The Annual Governance Statement acknowledges the South Tees Development Corporation's responsibility for ensuring that proper arrangements are in place around the governance of its affairs. Guidance on producing an effective

Governance Statement confirms that approvers of the Statement should be aware of the process followed in order to draft it. South Tees Development Corporation's Annual Governance Statement, includes a description of the key elements of its governance framework, how good governance is ensured in each of those elements, a description of the process applied in reviewing the effectiveness of this framework and an outline of the actions taken or, proposed to be taken, to deal with significant governance issues.

5. The Committee is aware that on 24 May 2023, the Secretary of State for the Department of Levelling Up, Housing and Communities wrote to the Mayor of the Tees Valley to:

'...confirm that he had taken the exceptional decision to support the commissioning of an independent review of the South Tees Development Corporation (STDC) and Teesworks Joint Venture. This followed allegations of corruption, wrongdoing and illegality around the operations of Teesworks and a letter from Mayor Houchen to the Secretary of State on 16 May seeking an independent review of the matter by a 'relevant body'."

6. At its meeting on 12 February 2024 the Committee received an update in respect of the Tees Valley Review. That followed confirmation that panel has now concluded its work and has reported its findings to the Secretary of State on 29 January 2024.
7. The Annual Governance Statement acknowledges the review, notes the Recommendations in respect of the Governance of STDC and the proposed approach to those Recommendations.
8. The Annual Governance Statement for 2022/23 is attached at **Appendix 1**.

EQUALITY & DIVERSITY

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

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South Tees Development Corporation

Annual Governance Statement 2022/23

1. Introduction

Good governance continues to be central to the delivery and assurance of our organisational objectives.

South Tees Development Corporation's (STDC) governance operations have integrated with the wider Tees Valley Combined Authority Group (the Group) governance framework and have been operating effectively since 2020.

The Group's responsibilities are reliant upon maintaining robust governance arrangements which ensure the effective delivery of our activities while ensuring an effective system of internal control, assurance and the management of risk.

Our ambition remains to oversee the creation of a world-class centre for the clean energy, offshore and innovation sectors, creating 20,000 good-quality, well-paid jobs as a result of investment at the Teesworks site (the Site). The pace and ambition for the Site remains high and the role of STDC's group Boards unchanged. Its Boards maintain robust governance and programme assurance, risk management and oversight of the discharge of health and safety responsibly whilst the group co-ordinates the competing priorities of a complex programme of works.

It is also our ambition that our governance framework continues to add genuine value to the decisions and policymaking of the organisation.

2. The Scope of Responsibility

The South Tees Development Corporation and its subsidiaries are responsible for ensuring that our operations are conducted in accordance with the law and appropriate standards. We are also responsible for making sure public money is used effectively and appropriately and is properly accounted for. We have a responsibility to ensure we have proper arrangements in place for the governance of our affairs and effective exercise of our functions, including the management of risk. We also have a duty under the Local Government Act 1999 to make continuous improvements to the way we operate.

Our Constitution sets out how we operate, how decisions are made, what our governance arrangements are and what processes must be followed to ensure these arrangements and processes are effective, transparent, and accountable.

These arrangements are designed to be consistent with the principles and best practice outlined in the Chartered Institute of Public Finance and Accountancy (CIPFA) - A guidance on good governance standards in the Public Sector.

This Annual Governance Statement details how we have complied with this framework and how we meet our responsibilities under the Local Audit and Accountability Act 2014 and Accounts and Audit Regulations 2015.

3. The Purpose of our Governance Framework

Meaningful and dynamic corporate governance establishes the conditions and culture for us to work effectively, economically, and ethically.

Our governance framework comprises the systems and procedures we believe will achieve our strategic objectives and deliver our activities in an appropriate and cost-effective way. These objectives, as laid out in our Master Plan are:

- to further the economic development and regeneration of the South Tees area, so that it becomes a major contributor to the Tees Valley economy and the delivery of the Tees Valley Strategic Economic Plan;
- to attract private sector investment and secure new, additional, good quality jobs, accessible to the people of the Tees Valley;
- to transform and improve the working environment of the Corporation area, providing good quality, safe conditions for the workforce and wider community;
- to contribute to the delivery of the UK Industrial Strategy, by supporting the growth of internationally competitive industries with access to global markets, taking a comprehensive approach to redevelopment at a scale that enables the realisation of an international-level investment opportunity.

Our governance framework enables us to monitor the achievement of these strategic objectives, and the system of internal control which derives from it allows us to manage risk at a realistic level. Although it is impossible to eliminate all risk, this structure is designed to identify and prioritise risks to the achievement of our objectives, evaluate the likelihood of those risks being realised and manage their impact should they be realised.

4. The Key Elements of our Governance Framework

The following arrangements are in place to quantify the quality of our services, ensure that they are delivering our objectives and make certain that we are providing value for money.

(a) The Constitution

The responsibilities of Development Corporation's employees and members are clearly laid out in our Constitution. This document – subject to annual review – explicitly documents how the Corporation operates, responsibilities for specific functions, delegations and how decisions are made.

The Constitution – which can only be amended with agreement of the Tees Valley Combined Authority Cabinet – also sets out expected standards of behaviour for both officers and members. The Constitution clearly sets how both the activities of the Chair, Group Chief Executive and other Senior Officers will be subject to a robust set of checks and balances, and details how this scrutiny process will be delivered. The constitution underwent a comprehensive review and representation at the end of the last financial year, with amendments proposed and accepted the STDC Board and TVCA Cabinet.

(b) Statutory and non-Statutory Committees

The South Tees Development Corporation currently operates the following statutory committees:

- A **Board**, the ultimate decision-making body of the Development Corporation with a constitutional responsibility to guide and oversee delivery of the key objectives of STDC.
- An **Audit & Governance Committee** with oversight responsibilities in matters

concerning risk, financial affairs and probity, overseeing STDC's internal audit and external audit arrangements.

(c) Referral Decisions

The STDC Constitution sets out a provision that requires STDC Board to identify any decision or issue which may result in a significant risk of:

- a. A financial liability; or
- b. A statutory liability; or
- c. An environmental or criminal liability

to the Combined Authority Group or to any or all of its Constituent Authorities, and to refer such decisions or issues to the Combined Authority for agreement before such liabilities arise, and prior to the implementation of any such decision. There has not been a need for such a referral in the last financial year.

(d) Monitoring Officer

We have arrangements to ensure compliance with relevant laws, regulations, internal policies and procedures, and that expenditure is lawful. The Group Chief Legal Officer is the Authority's designated Monitoring Officer, who has functional responsibility for Legal, Procurement, Governance and Information Governance functions. There are monthly meetings between Statutory Officers to ensure joined up working and the management of complex issues. All Board reports are considered for legal issues before submission to members.

(e) Internal Audit

The Corporation's Internal Audit function, undertaken by RSM Limited, ensures compliance with the relevant standards and statutory requirements. The service liaises with relevant statutory and senior officers throughout the year to develop and maximise the effectiveness of the Corporation's internal control systems and delivers an annual report on the quality of our processes.

The internal audit service we receive is independent, comprehensive, and rigorous, and our provider has liaised regularly with officers to implement a number of service improvement recommendations, a process which will continue and accelerate in the coming year.

(f) External Audit

The purpose of the External Auditors is to provide an opinion on the accounts and annual commentary on arrangements for Value for Money, published as part of the Auditor's Annual Report.

(g) Chief Financial Officer and Financial Arrangements

Under the requirements of Section 73 of the 1985 Local Government Act the Corporation has appointed a suitably qualified Chief Finance Officer, the Group Director of Finance and Resources, shared with the Combined Authority.

This officer, who is part of the Senior Management Team of both the Combined Authority and the Development Corporation, is responsible for:

- The operation of a robust system of budgetary control, including quarterly and annual financial reports indicating financial performance against forecasts.
- Ensuring that the Authority's finance function is appropriately resourced.
- Assessing the short, medium, and long-term implications of all material business decisions, and identifying and mitigating financial and organisational risks arising from them.

TEESWORKS

- Aligning the Corporation's business and financial planning processes.
- Promoting good financial management throughout the organisation.

There are comprehensive budgeting systems in place and a robust system of budgetary control, including quarterly and annual financial reports, which indicate financial performance against forecasts. The authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

South Tees Site Company

South Tees Site Company was set up in 2016 with a focus on keeping the former SSI Steelworks site safe, ongoing maintenance and removing safety hazards. In October 2020, the company became a wholly owned subsidiary of South Tees Development Corporation, whose role it is to oversee site activity with a particular focus on safety. Operations of the Site Company are now being wound down as roles and responsibilities of the organisation change from a keep safe and demolition phase to a construction phase by external investors.

South Tees Developments Limited

South Tees Developments Limited was set up to hold the land acquired by STDC from Tata Steel and SSI - to realise the regeneration and redevelopment ambitions of the site. The company employs a small number of staff. STDL has now adopted the trading name, Teesworks. This company has its own Board.

Other interests: Teesworks Limited

STDC holds a minority interest (10%) in Teesworks Limited. Teesworks Limited uses the name 'Teesworks' under licence arrangements. Care has been taken to ensure legal and financial separation of duties.

Risk Management Framework

The Corporation operates a comprehensive and proactive Risk Management Framework outlining its approach to Risk Management. Central to this strategy is a Corporate Risk Register which details what risks have been identified, the probability and impact of these risks being realised, and which controls are in place to mitigate against these risks. This report is periodically reviewed by Senior Officers and scrutinised by the Audit & Governance Committee.

This Risk Framework is supported and informed by a board-level Risk Appetite Statement.

Declarations of Interest and Code of Conduct

All Development Corporation employees and members are subject to a formal Code of Conduct – forming part of the Constitution - and must complete, at least annually, a formal Declaration of Interest.

Gifts & Hospitality

The Combined Authority maintains a register of offers of Gifts and Hospitality made to members and officers of the Corporation, even if these offers are declined.

Anti-fraud and Corruption Strategy

The Corporation is committed to preventing fraud, bribery and corruption within the organisation and ensuring funds are used as they are intended and will seek the appropriate disciplinary, regulatory, civil and criminal sanctions against fraudsters and where possible attempt to recover losses.

An Anti-fraud and Corruption Strategy exists to:

- Improve the knowledge and understanding of all staff, irrespective of their position, about the risk of fraud, bribery and corruption.
- Promote an anti-crime culture and an environment where staff feel able to raise concerns.
- Set out the Corporation's responsibilities in terms of deterrence, prevention, detection and investigation of fraud, bribery and corruption.
- Ensure appropriate sanctions are considered following an investigation, which may include internal disciplinary action, civil recovery and/or criminal prosecution.

Governance Arrangements

Following the integration of Development Corporation governance functions with the wider Combined Authority group in 2020, the Corporation has access to a dedicated Governance Team to ensure that the Development Corporation is compliant with its regulatory responsibilities and to advise both members, employees and partner organisations. The team oversees a number of areas including transparent decision making, Declarations of Interest, Whistle-blowing, Data Protection and Freedom of Information request handling.

A group support services arrangement has been put in place to ensure suitable support is in place for STDC at this important time as well as to avoid duplication of duties across the group structure.

STDC group has adopted the trading style 'Teesworks' however for legal purposes we are keen to ensure that the individual legal personalities remain separate.

In May 2023, and following requests made to him, the Secretary of State for Levelling Up, Housing and Communities convened an independent panel to review the South Tees Development Corporation and Teesworks Joint Venture.

The Independent Panel reported its findings to Government, and its Report was published on 29 January 2024. The Report made 28 recommendations – a number of them focussing on Governance of STDC.

The STDC Board has received a report setting out a proposed approach to respond to the Report's recommendations. The proposed approach has been approved by the Board, and the Board will continue to receive updates on the response to the recommendations and how they are being implemented. This will inform future years' Annual Governance Statements.

Freedom of Information and Environmental Information Regulation Requests

STDC is subject to the Freedom of information Act 2000 and the Environmental Information Regulations 2004. The group Governance Team processes such requests for STDC. Over the last financial year STDC has received and responded to 15 such requests for information.

5. Review of effectiveness

The Development Corporation is responsible for conducting, at least annually, a review of the effectiveness of its governance arrangements. Any areas for review are overseen and co-ordinated by the Group Chief Executive and Group Director of Finance & Resources and any findings reported to the Audit and Risk Committee, where appropriate.

External Audit

Our most recent auditor's report, issued on August 25th 2022, concluded that:

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation and the Group as at 31st March 2021 and of the Corporation's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

VFM conclusions are no longer issued, instead VFM commentary is issued as part of the Auditor's Annual Report. Mazars issued their Auditor's Annual Report in September 2022 and concluded the following in relation to value for money:

'Our work did not identify any evidence to indicate a significant weakness in the Corporation's arrangements in relation to the improving economy, efficiency and effectiveness reporting criteria.'

We expect to receive our 2021/22 auditor's report in January 2024, we expect the conclusion to be in line with the 2020/21 report."

Internal Audit

An Annual Internal Audit Report was presented to the Audit and Governance Committee 1st August 2023 which concluded that:

"The organisation has an adequate and effective framework for risk management, governance, and internal control.

However, our work has identified further enhancements to the framework of our risk management, governance, and internal control to ensure that it remains adequate and effective"

The following opinions were provided in the Audit Report:

Governance

We did not perform a specific governance review at the organisation 2022/23, however we have elements of the governance frameworks in place for the following reviews and have used this work to support the governance opinion: Logic Models, Procurement to Pay Process, SeAH Plant and South Bank Quay, and Audit Committee Effectiveness.

Each of the above reviews received a positive assurance opinion.

We therefore concluded that the governance arrangements in place, for the organisation, were adequate and effective.

Risk

We did not perform a specific risk management review at the organisations in 2022/23 ; however, our risk management opinion is informed by the assessment of the risk mitigation controls and compliance with those controls in our risk-based reviews in the following area:

- *Scrap and Disposal of Assets (Risk: GSR-R036: Fraud - Management of scrap metals) – Substantial assurance*
- *SeAH Plant and South Bank Quay (Risk: GSR-R023: Failure to meet objectives) – Substantial assurance*
- *COMAH Declassification (GSR-R001: Inability to remove COMAH status) – Substantial assurance*

We have also attended all Audit and Risk Committee meetings throughout the year and confirmed the organisation’s risk management arrangements continued to operate effectively and were adequately reported and scrutinised by committee members; with regular updates provided and the risk register shared and reviewed, with appropriate oversight.

Control

We undertook six audits (including the three risk driven review mentioned above) of the control environment that resulted in formal assurance opinions. All six of these reviews concluded that positive assurance opinions could be taken by the Board (four substantial, two reasonable).

We identified that the organisation required further implementation and embedding of a control framework, or to improve the application of the established control framework, for those areas reviewed.

Furthermore, the implementation of agreed management actions agreed during the course of the year are an important contributing factor when assessing the overall opinion on control.

We have performed a Follow Up review during the year which concluded that good progress had been made towards the implementation of those actions agreed.

Summary of Internal Audit work completed:

| Assignment | Assurance Level | Actions agreed | | |
|--|-----------------|----------------|---|---|
| | | L | M | H |
| Logic models | Reasonable | 2 | 5 | 0 |
| Scrap and Disposal of Other Assets | Substantial | 1 | 1 | 0 |
| Procurement to Pay Process | Reasonable | 1 | 2 | 0 |
| SeAH Plant and South Bank Quay | Substantial | 0 | 0 | 0 |
| Audit Committee Effectiveness | Substantial | 2 | 1 | 0 |
| COMAH Declassification | Substantial | 0 | 0 | 0 |
| Follow up on previous Internal Audit Management Actions | Good Progress | 2 | 0 | 0 |

6. Conclusion

We have taken account of the recommendations made in the Tees Valley Review and the proposed response to the recommendations, It is our conclusion – supported by external opinion and commentaries – that the Development Corporation operates a satisfactory governance framework which supports the achievement of its policies, aims and objectives and meets all statutory requirements and ensures public money is used effectively and appropriately and is properly accounted for.

Signed

Ben Houchen

Tees Valley Mayor and
Chair of South Tees
Development
Corporation

signature

date

TEESWORKS

Julie Gilhespie

Group Chief Executive,
South Tees
Development
Corporation

signature

date