

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 23<sup>rd</sup> February 2024

**Time:** 14:30pm

**Venue:** Teesside Airport Business Suite, Teesside International Airport

<b>Attendees:</b>		<b>Apologies:</b>
Allan Armstrong (AA)	Independent Member (Chair)	
John Baker (JB)	Independent Member	
Mike Sharp (MS)	Independent Member	
Geoff Westmoreland (GW)	Independent Member	
Cllr Curt Pugh (CP)	Independent Member	
Cameron Waddel (CW)	Mazars (via Teams)	
Gary Macdonald (GM)	TVCA	
Victoria Smith (VS)	TVCA (via Teams)	
Emma Simson (ES)	TVCA	
Derek Weatherill (DW)	South Tees Development Corporation	
Natalie Robinson (NR)	TVCA	
Elaine Braham – Governance	TVCA	

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
STDC-A&G 30/2023.	<b>Welcome &amp; introductions</b>	Allan Armstrong, Independent Member, (AA), welcomed members to the Meeting. He noted that the session would include confidential elements and at that point had there been any members of the press or public in attendance they would have been asked to leave.		
STDC-A&G 31/2023	<b>Apologies for Absence</b>	There were no apologies for absence.		
STDC-A&G 32/2023	<b>Declarations of Interest</b>	Gary Macdonald, John Baker and Derek Weatherill declared they are members of the Site Company board.		
STDC - A&G 33/2023	<b>Minutes of Previous Meetings &amp; Action Tracker</b>	<p>The minutes of the meeting held on the 12 February 2024 were agreed as a true record subject to the below clarifications:</p> <ul style="list-style-type: none"> <li>• Mike Sharp, Independent Member, (MS), noted page 8, should read that he asked if Mazars were going to contribute to the £3,000 fine incurred in respect of Corporation Tax return being late as a result of the 2020/21 accounts not yet being signed. The Corporation tax return cannot be submitted until the accounts are audited.</li> <li>• MS clarified that page 10 should state that there is no generally accepting accounting principle for accounting for hindsight.</li> </ul> <p>These updates would be made to the minutes, before publishing as a final copy.</p> <p>Gary Macdonald, Director of Finance and Resources, (GM), provided the following updates in respect of Action Tracker items:</p> <ul style="list-style-type: none"> <li>• All risk elements would be covered under the agenda item.</li> <li>• Victoria Smith, Group Financial Controller, (VS), reported that the letter from the Department for Levelling Up, Housing &amp; Communities pertaining to the proposed</li> </ul>		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		<p>backstop arrangements should also have been appended to the minutes of the 12 February 2024, and would be shared with the committee.</p> <ul style="list-style-type: none"> <li>• GM had received a letter detailing dates and options for webinars in relation to the above consultation.</li> <li>• GM advised that a date in June will be confirmed for the Away Day at Teesworks.</li> <li>• AA highlighted that members were to feedback comments in respect of the Independent Review to GM by close of the day.</li> </ul>	Date to be confirmed	Governance
STDC-A&G 34/2023	<b>Executive Update</b>	<p>The Committee had received a report providing an activity update since the last meeting. GM provided a further verbal update, and the Committee were invited to ask questions. These are summarised as follows:</p> <ul style="list-style-type: none"> <li>• GM reported that COMAH status had been removed from the site allowing TVCA to move forward with proposed developments. Derek Weatherill, Environmental, Health, Safety &amp; Security Director, (DW), reported that the site is now classified as being lower tier one requiring no further input from the Competent Authority and the Environment Agency specialist inspectors. Their audits have now ceased, and any ongoing legislative interactions are with the HSE.</li> <li>• JB noted the positive working relationships with the HSE and EA and believed looking forward the relationships would continue to be a priority as the site develops. DW reported that they have a collaborative working relationship with the HSE which is fluid and open.</li> <li>• JB noted that there will be different challenges moving forward and that the regularity of meetings had been an important feature thus far. DW reported that the HSE up until recently had been attending monthly site meetings. GM explained that the STSC Board had oversight of a number of H&amp;S elements, and their meeting on 15 March 2024 would discuss in detail how this proactive relationship will be maintained, where applicable this would be fed back into this committee. JB felt it would be beneficial to receive a copy of the papers.</li> <li>• Geoff Westmoreland, Independent Member, (GW), noted that the report notes Decontamination Project was complete with the exception of the 3km heavy fuel oil main which had been removed from the contract scope and is to be picked up in the future,</li> </ul>		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		<p>and asked for context around this. DW explained that the main is on Network Rail land, and had it not been removed it would have extended the programme significantly. Inspection and monitoring of the line is in place to ensure the integrity of the asset.</p> <ul style="list-style-type: none"> <li>• GW asked if it will be a commercial or financial risk moving forward. GM advised that it is not in the developable land area. DW explained that it is adjacent to a strip of land that will need utilities, but there will be no impact between the two.</li> <li>• AA asked if there is a timescale by which the work would need to be completed. DW stated that his understanding is that it will need to be completed over the next couple of years. GM explained that during this time, HSE requirements will continue to be met, it is just not currently a priority given everything else that needs happen.</li> <li>• GM reported that the Freeport workstreams have been consolidated from four down to two. Risk and Accountability, has members with expertise around compliance and customs operations and links in with boarder force and HMRC. Inward Investment and Marketing is focused on attracting investment to the region and customs areas and will consider secondary business opportunities.</li> <li>• AA asked if there was anything that would affect STDC that the committee needed to be aware of. GM reported that Government legislation aligns the incentives on all Freeports, and the Inward Investment workstream will manage risk as part of their work. He noted that international investors are looking at sites globally, but from our perspective, our Freeport is the largest in the UK, and we have articulated the benefits of businesses locating here.</li> <li>• Cllr Curt Pugh, TVCA Audit and Governance Committee Representative, (CP), noted that the reality is that the Freeport is in competition with the others. GM explained that the business case will focus on how value can be added, and will be brought to the committee at a later stage.</li> <li>• GW asked if we are comfortable with the robustness of the due diligence processes in respect of tenants coming on to the site. GM reported that they are required to comply with normal financial and tax process. The customs operator will be responsible for ensuring there are no illegalities, that the appropriate arrangements are in place, and that they receive approval from border force. We have specialists in place to ensure that we the Freeport are complaint, and Natalie Robinson, Head of Performance, Risk and Assurance, (NR), advised that this had been included on the risk register.</li> </ul>		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		<ul style="list-style-type: none"> <li>GM noted the update in respect of utilities installation, reporting that contingencies have been incorporated into the plans to ensure deadlines are met, looking to negate the risk of incurring liquidated damages should the site not be completed within timescales.</li> <li>GM advised that the STDC Board will receive a paper and the STDC A&amp;G Committee will be briefed on identified risk and the processes put in place to control these. It was agreed that an update would be provided to the meeting in May.</li> <li>GM reported that the transport programme had been agreed by TVCA Cabinet in January.</li> <li>GW asked what the consequences would be if we failed to deliver within BP's timeframe. GM explained that whilst there is an agreement to do things within a certain timeframe, it does not have the same liquidated damages included.</li> <li>GM reported that in terms of the Park and Ride site logistics management is currently being considered by the team in relation to the Lackenby site and through traffic. It was agreed to add this to the agenda for the next meeting.</li> </ul>	<p>Update to be provided to the May meeting</p>          <p>Add to next Agenda</p>	<p>GM</p>          <p>Governance/ Programme Manager</p>
STDC- A&G 35/2023	<b>Independent Review Report - Teesworks</b>	<p>The Committee were provided with a further update report in respect of the response to the Independent Review into Teesworks.</p> <p>It recommended that the Committee:</p> <ol style="list-style-type: none"> <li>i. Notes the update in respect of the response to the Tees Valley Review.</li> </ol> <p>GM noted that the Committee had received a detailed Report incorporating the full review and correspondence from the Secretary of State at the last Committee meeting. Members reviewed this and provided feedback previously.</p> <p>GM advised members that TVCA had established a cross authority working group to consider the recommendations pertaining to both TVCA and the constituent Local Authorities. The group are tasked with working up an approach to each of the recommendations, considering how they will administer the working plans, and considering how the work will link in with each of the committees.</p> <p>Members agreed that a progress update would be provided to the next meeting.</p>	<p>Add to Agenda for next meeting</p>	<p>Governance</p>

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		<p>The Committee were invited to ask questions:</p> <ul style="list-style-type: none"> <li>• No questions were asked.</li> </ul> <p><b>RESOLVED THAT:</b> the Committee noted the report.</p> <p><b>RESOLVED THAT:</b> a progress update would be provided to the next committee meeting.</p>		
STDC- A&G 36/2023	<b>Update on Internal Audit Report</b>	<p>The Committee were provided with an update report detailing the current internal audit action plan progress as of June 2023.</p> <p>It recommended that the Committee:</p> <ol style="list-style-type: none"> <li>i. Consider the analysis and audit progress set out in the paper.</li> <li>ii. Acknowledge the annual audit schedule.</li> </ol> <p>NR outlined the audits that are scheduled and those currently taking place, ensuring risks are being identified and escalated at the appropriate time.</p> <p>NR reported that of the four action plans tracked in the period, two had closed and the outstanding plans would be reviewed, and she felt timelines are sensible.</p> <p>The Committee were invited to ask questions, and these are summarised as follows:</p> <ul style="list-style-type: none"> <li>• GW noted that delivery dates were the end of 2023 and asked for clarification around quarters. NR provided this.</li> <li>• AA advised members that NR would be leaving the Combined Authority in March and asked about transition plans. NR reported that she has an excellent team(s), there is a full transition plan in place and the teams will each know what is required of them prior to her departure. TVCA are recruiting to a permanent position, and they hope to appoint an interim manager to ensure the smooth running of the service during the transition period.</li> </ul>		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		<ul style="list-style-type: none"> <li>JB expressed the committee’s appreciation for the excellent work NR had completed during her time with the Authority.</li> </ul> <p><b>RESOLVED THAT:</b> the Committee noted the report.</p>		
STDC- A&G 37/2023	<b>External Audit Progress Update</b>	<p>The Committee received a verbal update from Cameron Waddell, Mazars, (CW), briefing members on the status of the STDC audits and the launch of a consultation exercise on 8 February 2024 in relation to the proposed measures to clear the local audit backlog in England.</p> <ul style="list-style-type: none"> <li>CW advised that in relation to 21/22 there remains some items requiring resolution, predominately the consideration of the findings of Independent Review Panel, and whether amendments will be required to the accounts to reflect the findings and how this might impact the Value for Money (VFM) commentary.</li> <li>CW asked if HMRC had advised that the figures for 21/22 should be amended as this would affect the opening balance for 22/23. VS confirmed that the amendments had been made to the 21/22 accounts this week, and that the amendments had been made back to when the business case took effect.</li> <li>CW stated that Mazars would expect the corporation to consider whether the advice from the HMRC would have an impact on the accounts. VS confirmed that this question had already been posed with HMRC and PWC and the amendments reflected.</li> <li>CW stated that if HMRC are saying TVCA should have been doing it differently then the 21/22 accounts will need to be restated. He advised that Mazars would wait until TVCA revert back to them in respect of this element. VS confirmed the amendments had been reflected back to when the business case took effect.</li> <li>VS highlighted to the committee that the impacts had no net impact to the profit and loss account.</li> </ul> <p>The Committee were invited to ask questions, and these are summarised as follows:</p>	<b>TVCA to respond to Mazars</b>	<b>VS</b>

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		<p>21/22</p> <ul style="list-style-type: none"> <li>• AA highlighted the committee’s frustration pertaining to the delayed sign off of the 21/22 accounts, and asked CW to provide a timeline for when this will be completed. CW stated that it was in the hands of officers who needed to provide assurance that nothing else needs to change. He advised that this needed to happen before they could complete their work. VS confirmed that they are comfortable that the accounts provided to Mazars yesterday included the adjustments required by the HMRC.</li> <li>• CW stated he was specifically asking when HMRC had told TVCA, what the question was, and had the corporation looked at its impact on the accounts. He noted that HMRC normally require that you unpick the issue, however if they are saying that the impact is post April 21 then there would be no amendment required. However, if it is before this time then the opening balance would need to be restated. VS confirmed that the accounts had been amended to the date the business case came into effect and they do not believe any further amendments are required.</li> <li>• GW noted that the point just made was very illustrative of the frustration being felt and asked why this issue had not been picked up with the team sooner. CW advised that they were only informed of the HMRC issue at the turn of the year. GW noted that Mazars had been advised in January and asked why then they were only asking the question now. CW stated that he had only recently returned to work. AA acknowledged CW’s absence but felt Mazars should have followed this up in his absence.</li> <li>• CW reiterated that they had received the updated accounts at 1:00pm yesterday, stating it is for the corporation to provide the accounts and he did not feel it was Mazars failing. MS disagreed with this statement, noting members had been told last year that Mazars could not sign off the accounts as they needed assurance from the Independent Review (IR). He expressed his concern that Mazars needed assurance from the IR and were not confident in their own findings, and had they had assurance in their own work the accounts would have been signed off and the HMRC element would not have been an issue. CW felt it was acceptable to pause arrangements when another body is undertaking an audit that could impact their judgements.</li> <li>• CW noted that there had been a further issue with Teesside Pension Fund requiring Mazars to undertake their own assurance process, and believed there had not been a lot they could have done prior to third parties completing their reports.</li> </ul>		



No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		<ul style="list-style-type: none"> <li>• VS reported that when HMRC updates are received these are shared timely with Mazars.</li> <li>• The committee expressed their frustrations around the delays in Mazars final sign off of the accounts.</li> <li>• AA asked on the bases that the information was provided to Mazars yesterday, and with the assumption that this is now complete, when could members expect to have a set of signed accounts. CW stated that subject to consideration of the IR and conversations with GM and his team they would hope to sign off within the next month.</li> <li>• CW asked who will sign off the accounts. VS reported that the accounts had previously been signed off subject to no material changes. CW noted that the accounts Mazars received yesterday had material changes in them. Members agreed that the accounts would be shared seeking their approval.</li> <li>• AA highlighted that CW had made reference to the IR and noted that the more detailed response to the recommendations would not be known within the next month, and asked what caveat Mazars were talking about. CW advised that they needed to consider the report in detail, followed by discussions with GM, his team and members of TVCA to determine the implications for their report. One key issue being that the findings are recommendations have been accepted by TVCA. If Mazars were to find a weakness they would make a recommendation, if a recommendation is made then it is for GM and his team to formulate a response. He further noted that if there was to be a comprehensive plan put in place it would not stop Mazars from reporting and any recommendation would be followed up by future auditors.</li> <li>• MS asked why they had not put as a post balance sheet event, advising it would be addressed in the 22/23 accounts. CW stated that if it is an adjusting post balance sheet event then the statements would need to be amended. He explained Mazars are issue a report under Standard 260, which requires a follow up letter to the 21/22 accounts and a VFM commentary which will be included in an officer's annual report, and a signed paper which accompanies the accounts. This is specific to the public sector.</li> <li>• GM noted that the Mayor is to respond to the Secretary of State by the 8 March 2024, and that the response detailing a planned approach is currently being formulated by the working group.</li> </ul>	<p style="text-align: center;"><b>Accounts to be shared with Members for approval</b></p>	<p style="text-align: center;">VS</p>

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		<ul style="list-style-type: none"> <li>• VS stated that she had reviewed the IR and did not believe any adjustments were needed to the financial statements. CW asked that this is shared with the team at Mazars. VS stated that they are available to speak to the Mazars team.</li> <li>• AA asked as the Chair of the committee that the work be completed and fed back to members either by correspondence prior to the next meeting or at least by the next meeting, and that the correspondence include definitive dates.</li> </ul> <p><b>2022/2023</b></p> <ul style="list-style-type: none"> <li>• AA asked that CW provide the headlines elements that the committee needed to be aware of.</li> <li>• CW advised that Mazars cannot conclude the 22/23 accounts until Azets have completed their elements. Furthermore, they are reliant on the auditors of Teesside Pension Fund providing assurances. Until these have been received, they will not be in a position to complete the accounts.</li> <li>• CW further noted the proposed backstop arrangements and the prospect of a general election, which may impact upon these arrangements. He advised that Mazars will endeavour to get the audits signed off before the backstop arrangements kick in, but they are reliant on other parties providing the required information to allow them to do so.</li> <li>• GW asked about timescales for other auditors. CW explained that if the audit is not complete, then the audit firm is expected to disclaim the opinion and make it specific to the bits that of not completed. He noted that not all of the arrangements pertaining to the backstop approach have been concluded so far, and further conversations had taken place this week. In terms of the deadlines for organisations such as the Teesside Pension Fund, their auditors' deadlines are the same as Mazars, which is currently proposed as being the 30 September 2024. CW advised that this has not yet been concluded and he was unsure whether the 21/22 audit of Middlesbrough Council had been finalised. However, he reported that relatively recently he had been advised they could expect assurance this month.</li> </ul> <p><b>RESOLVED THAT:</b> the Committee noted the update.</p>	<p><b>VS to share with Mazars</b></p> <p><b>Response to be provided to members</b></p>	<p><b>VS</b></p> <p><b>Mazars/TVCA</b></p>

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		RESOLVED THAT: the 2021/2022 accounts would be shared with members for approval.		
STDC- A&G 38/2023	<b>External Audit – Value for Money (VFM) Commentary 2021/22</b>	<p>The Committee received a verbal update from Cameron Waddell, Mazars advising of a forecast publication date of the Value for Money (VFM) commentary.</p> <ul style="list-style-type: none"> <li>CW noted that this had predominately been covered in the earlier item. He added that the main consideration in determining the VFM commentary will focus on TVCA's response to the IR report and subsequent conversations with GM and his team pertaining to reporting responsibilities.</li> </ul> <p>The Committee were invited to ask questions, and these are summarised as follows:</p> <ul style="list-style-type: none"> <li>There were no further questions other than those noted above.</li> </ul> <p><b>RESOLVED THAT:</b> the Committee noted the update.</p>		
STDC- A&G 39/2023	<b>External Auditors Final Annual Report 2021/22</b>	<p>The Committee received a verbal update from Cameron Waddell, Mazars, giving a position update in respect of audit progress and forecasted signing date.</p> <ul style="list-style-type: none"> <li>AA noted that CW had stated that he would answer members questions and asked if he would still like to do that. CW stated that he felt that he had covered this already but asked if there were any further questions.</li> </ul> <p>The Committee were invited to ask questions, and these are summarised as follows:</p> <ul style="list-style-type: none"> <li>CW noted the question from 12 March 2024 asking if Mazars would be paying the £3,000 corporation tax fine, he stated that Azets are the auditors and Mazars are not responsible for the laying of the accounts. VS clarified that TVCA have not incurred any fines in respect of subsidiaries companies house filings, it is in respect of corporation tax as PWC cannot submit this until the 21/22 accounts have been signed. CW stated that he would presume HMRC would have advised them of the issue with the accounts.</li> </ul>		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		<ul style="list-style-type: none"> <li>• MS noted that the discussion was going around in circles.</li> <li>• CW reported that they have a number of outstanding queries on more complicated areas of the accounts and did not accept the criticism.</li> <li>• AA stated that the feedback to earlier committees had been that Mazars were unable to sign off the 21/22 accounts until the outcome of the IR was known, and what members are asking is that Mazars back their own work and sign these off.</li> <li>• CW did not agree, noting that Mazars are still waiting on Azets completing their work and Teesside Pension Fund providing assurance, and were therefore never in a position to sign off. The IR may have had an impact, but it is not as linear as described. He further added that on a number of occasions the quality of the accounts and the timeliness of responses have been an issue. VS accepted that historically there had been issues, however in recent years this had been addressed, information has been provided timely and this has been acknowledged in reports from Mazars.</li> <li>• VS highlighted that Azets have signed off all subsidiary audits for 2021/22.</li> <li>• AA noted the need to find a way to work together to complete in a timely manner.</li> </ul> <p><b>RESOLVED THAT:</b> Members noted the update and asked that all parties proactively work together to achieve sign off in a timely manner.</p>		
STDC- A&G 40/2023	<b>Forward Programme</b>	<p>The Committee received a forward programme detailing the proposed programme for 2024/2025.</p> <p>GM noted that the amends to the accounts and approvals from members was to be added.</p>	<b>To be added to the forward programme</b>	
STDC- A&G 41/2023	<b>Review &amp; Approval of Draft STDC Annual</b>	<p>The Committee received a report in respect of the draft Annual Governance Statement (AGS) 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>		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
	<b>Governance Statement</b>	<p>i. Provide comments for consideration when submitted to the next meeting of the South Tees Development Corporation Board; or</p> <p>ii. Recommend to the South Tees Development Corporation Board that the Statement be approved as draft.</p> <p>ES noted that at the meeting on 12 February 2024, members had asked that some additions be made to the statement, the updated statement was now being returned to committee for their approval.</p> <p>The Committee were invited to ask questions, and these are summarised as follows:</p> <ul style="list-style-type: none"> <li>Members had no further questions and unanimously agreed the AGS.</li> </ul> <p><b>RESOLVED THAT:</b> the Committee unanimously agreed the Annual Governance Statement and recommended that the South Tees Development Corporation (STDC) Board approve the draft Statement.</p>		
<p><b>IT WAS PROPOSED AND AGREED TO PASS A RESOLUTION TO EXCLUDE THE PRESS &amp; PUBLIC FROM THE FOLLOWING CONFIDENTIAL ITEM</b></p>				
STDC-A&G 42/2023	<b>Landfill Tax on Brownfield Site</b>	<p>The Committee received a verbal update in relation to Landfill Tax on Brownfield sites.</p> <p><b>RESOLVED THAT:</b> members noted the update.</p>		
STDC-A&G 43/2023	<b>Update on Environmental, Health and Safety (EHS) Report</b>	<p>The Committee received a report and verbal update on the key EHS activities in relation to works currently being undertaken.</p> <p><b>RESOLVED THAT:</b> members noted the report and verbal update.</p>		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
STDC- A&G 44/2023	Risk Management Report	The Committee received a report presenting the Risk Portfolio as of February 2024.  <b>RESOLVED THAT:</b> the Committee noted the content of the report.		
STDC- A&G 29/2023	Date & Time of Next Meeting	30 May 2024 at 1:00pm  It was noted that there may be the need to convene a further extra ordinary meeting to facilitate sign off of the accounts.		