

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: Thursday 5 September 2024

Time: 10:00am

Venue: Teesside Airport Business Suite, Teesside International Airport

Attendees:		Apologies:
Mike Sharp (MS)	Independent Member (Chair)	Allan Armstrong
John Baker	Independent Member	Cath Andrews
Geoff Westmoreland (GW)	Independent Member	Claire Mellons
Gary Macdonald (GM)	TVCA	
Victoria Smith (VS)	TVCA	
Emma Simson (ES)	TVCA	
Derek Weatherill (DW)	South Tees Development Corporation	
Guy Close	TVCA	
Elaine Braham	TVCA	
Mark Rutter (MR)	Ernst Young	
Suresh Patel	Mazars (via Teams)	

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
STDC-A&G 01/2024	Welcome & introductions	Mike Sharp, Independent Member, (MS), welcomed members to the meeting.		
STDC-A&G 02/2024	Apologies for Absence	Apologies for absence had been received from Allan Armstrong, Independent Member, Cath Andrews, Mazars and Claire Mellons, Ernst Young.		
STDC-A&G 03/2024	Declarations of Interest	<p>The following declarations of interest were recorded:</p> <ul style="list-style-type: none"> • John Baker, Independent Member, (JB) – South Tees Development Corporation Board Member and South Tees Site Company Board Member. • Derek Weatherill, EHS Director, (DW) – South Tees Site Company Board Member. • Gary Macdonald, Group Director of Finance and Resources, (GM), South Tees Site Company Board Member. 		
STDC - A&G 04/2024	Minutes of Previous Meetings & Action Tracker	The minutes of the meeting held on the 17 June 2024 were agreed as a true and accurate record.		
STDC-A&G 05/2024	Tees Valley Independent Review	<p>The Committee had received a report from the Acting Chief Legal Officer and Monitoring Officer presenting an update on work undertaken against the recommendations arising from the Tees Valley Independent Review.</p> <p>It recommended that the STDC Audit and Governance Committee:</p>		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		<p>i) NOTES the report and supporting information which will be considered at the Cabinet meeting on 27 September 2024; and</p> <p>ii) AGREES its final response to STDC Board on 26 September 2024 and subsequently to Cabinet for consideration at its meeting on 27 September 2024.</p> <p>Emma Simson, Acting Chief Legal Officer and Monitoring Officer, (ES), tabled a timeline detailing the governance process that had been followed to date, which had culminated in the development of the proposed response to the Secretary of State.</p> <p>ES thanked members for their commitment to the process so far and explained that their role now was to consider this proposal and provide a written response to the STDC Board on the 26 September and subsequently TVCA Cabinet on the 27 September.</p> <p>ES noted that whilst the papers cover the full response, the report splits the recommendations down into key areas.</p> <p>ES provided an update in respect of the recommendations pertinent to this Committee.</p> <p>Constitutional Changes</p> <ul style="list-style-type: none"> • GM noted that Recommendation 11 asked that ‘<i>TVCA review the group statutory officer roles and consider, where allowable in law, whether having different officers, perhaps drawn from the Constituent Authorities, would provide a greater degree of checks and balance</i>’. He explained that constituent local authorities were asked to consider the extent of conflict of having one set of statutory officers. TVCA were not privy to their conversations and their proposed outcome is to have ‘Heads Of’ roles. Therefore, the proposed constitutional amendment is to replace the likes of the Monitoring Officers role with a ‘Head Of’, but noted that the statutory officers will retain their roles of delegation. • It is proposed that there will be a Chief Operating Officer which will cover both Middlesbrough and Hartlepool Development Corporation. • Protocols have been added to the Constitution in respect of Attendance at Public Meetings and Public Participation in those public meetings. • In response to recommendation 16, skills matrices are to be introduced for all boards and committees. This is to demonstrate an appropriately skilled and balanced Board. The Committee was reminded that appointment to a Mayoral Development Corporation Board 		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		<p>is prescribed by Statute. The Mayor proposes the Board to the Combined Authority Cabinet, and it is the Combined Authority Cabinet that approves those appointments.</p> <ul style="list-style-type: none"> • ES explained that there is a statutory requirement to review the existence of MDCs on an annual basis. This has been formalised within the Constitution and provides details pertaining to how each DC will report into Cabinet. This will result in TVCA Cabinet receiving two updates in a municipal year, on each Development Corporation. • ES highlighted that Appendix 8 is the Statutory Officer Conflict of Interest Protocol, in response to Recommendation 10. • A standing agenda item has been added to all Development Corporation Board Agendas and that of Cabinet pertaining to Delegated Decisions in order to ensure visibility of all decisions taken under delegation. • GM added that references to procurement activity had been futureproofed in line with the impending Procurement Act 2023 (which is not yet law) but was not a requirement of the Tees Valley Review. <p>Assurance Frameworks</p> <ul style="list-style-type: none"> • It was explained that the Assurance Framework governs the funding that flows through the different entities. • Historically it had been assumed that Chief Executives of constituent authorities would consult with their Finance Directors (FDs) and Monitoring Officers (MOs) as they saw fit. In response to the recommendations FDs and MOs are now invited to attend the Chief Executive meetings. <p>Members Questions</p> <ul style="list-style-type: none"> • JB noted that at the end of this process, a report will be submitted that everyone has endorsed, and asked what the timeline is following that. GM confirmed that the Mayor will respond to the Secretary of State, but what is not known is the timeline once this has happened. ES explained that this process feeds into that response. The Mayor has been asked by the Secretary of State to respond within six months. The Secretary of State is aware of our Governance processes and is aware that the response will be forthcoming at the end of September. 		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		<ul style="list-style-type: none"> • JB noted that TVCA is currently in negotiations with the JV Partners. ES explained that TVCA hopes to receive a response from the JV Partners in the near future, however this committee is required to provide a response to the board by 17 September. ES advised that if a response has not been received then their report could note that they withhold comment until a response has been received from the JV Partners • ES explained that in response to recommendation 21, Endeavour Law had been commissioned to compile a bible of documents detailing all legal agreements with the JV Partners. The full list of the documents and a description of these had now been received and TVCA will now form the bible, including all contractual documentation, which will be redacted to take account of commercial sensitivities prior to publication. Members will be advised once publication has taken place. • JB noted that two of the points are with Government and ES confirmed that a response is awaited. • ES explained that the reports from TVCA Overview and Scrutiny Committee and TVCA Audit and Governance Committee will be presented to TVCA Cabinet and the report from this committee will be presented to STDC Board. STDC Board will then feedback to Cabinet at its meeting on 27 September. <p>Summary in respect of Financial Recommendations</p> <ul style="list-style-type: none"> • GM advised the committee that the FDs had been briefed in full. <ul style="list-style-type: none"> ▪ Recommendation 1 – was to provide a high-level assessment of risk. ES confirmed that if a decision were taken to wind up an MDC, constituent authorities could not be mandated to take on board its assets and liabilities. TVCA would be on point for the liabilities, and the FDs have confirmed that they are happy with the processes that are in place. They have had sight of the model and are regularly updated on the Medium-Term Financial Plan (MTFP) and position statement. ▪ Recommendation 27 - advised that consideration be given to securing CIPFA or other external support to provide independent assessment of proposed changes for strengthening internal audit. CIPFA’s final report is included at Appendix 12. ▪ Recommendation 28 - advises that the Director of Finance and Resources works with the external auditors to complete their value for money arrangements for 2021/2022. Members were aware of the ongoing discussions with Mazars, and TVCA are working with them to close down accounts. 	<p>Committee to be advised upon publication</p>	<p>Governance</p>

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		<p>recently taken over from his former colleague Cameron Waddell, who had recently retired, and apologised to GM as he had not been able to meet with him in advance of the meeting. SP advised that cash flow is the only outstanding issue. The more substantial piece of work relates to the 28 recommendations from the Tees Valley Review, and they are being supported by GM and the Finance Team to progress the outstanding work pertaining to Value for Money (VFM). This is in progress but has been complicated due to the significant level of information contained in the report. Mazars have sought independent legal advice in respect of the report and a response is expected this week, with the hope being that Mazars will be in a position to respond by the end of the month. VS updated that there had been an outstanding issue with regards to VAT, Mazars had employed a tax lawyer who had agreed with the position taken by PWC and TVCA.</p> <ul style="list-style-type: none"> • JB asked when the committee could expect to see the accounts being completed. SP was reluctant to agree to a date as they were waiting for others to respond. • MS advised that he is firmly on record in respect of the delay pertaining to the accounts and believed that the 2021/2022 accounts held no weight now and highlighted the need to progress with the 2022/2023. He asked if these would be signed off by the end of the year. SP advised that a backstop date had now been put in place for mid-December, so this would need to happen before then. • GM asked SP to detail the processes they have to go through. SP advised that they undertake a technical review of the draft accounts, before producing a draft VFM judgement, this is then scrutinised by a panel who challenge the auditor on the decisions they are making. SP advised that he believes it is important that the committee are kept apprised of where he is up to with them, the process normally takes 3-4 weeks which is why he is saying October. • VS highlighted that the backstop date also includes the 2022/2023 accounts and asked if we would be in a position to conclude these before then. SP was unsure whether this would be possible. • MS asked SP if he will be attending committees in future. SP advised that initially there may be some conflicts with his diary commitments but would always aim to attend either via Teams (in the case of a conflict) or in person. <p>Members were asked if they had any further comments that they wished noting:</p>		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		<ul style="list-style-type: none"> • GW felt that he had been well briefed over the course of the briefing sessions and his comments had been addressed. • MS noted that the Overview and Scrutiny Committee are insisting on being involved in pre decision making. Guy Close, Governance and Scrutiny Manager, (GC), provided the following example to members of what pre-decisions scrutiny might look like. The Overview and Scrutiny Working Group might meet to discuss the proposed budget and they would feed back to the Overview and Scrutiny Committee prior to a decision being made. MS felt that the way it had been written it implied that they wanted to be involved in all decisions. GC clarified that it is about providing scrutiny prior to a decision being taken rather than through call in powers afterwards. ES noted that this would not take away the option for urgent decision making. • JB asked if the Overview and Scrutiny Committee would convene as required rather than the current 4 times a year. GC explained that the Scrutiny Protocol will go to Cabinet for approval on 27 September, it recommends that the Overview and Scrutiny committee will meet 4 times per year. The committee will also facilitate two further meetings per year focused on Mayors Question Time. JB felt that their concerns around potential delay in decision making should be included in their report to STDC Board and Cabinet. • ES explained that Overview and Scrutiny is a legislative requirement, and there is a five-day call-in period in which they can call in any key decisions made by Cabinet in order to scrutinise them in advance of a decision being implemented. • ES explained that the topic of debate is the level of scrutiny the committee can have over the MDCs, and whilst it can ask for members to come before it, it cannot mandate them to do so, they can also ask to see the papers. ES believed that we will find that they will ask more questions, but this needs to be done alongside effective decision making of the MDC boards. • GW felt that this element needed to be kept under review to ensure that the complexities are managed. • GM explained that the scrutiny report considers the scrutiny of financial decisions. He noted the link between Overview and Scrutiny, and Audit and Governance and how this then links in with STDC Audit and Governance. He felt that this committee should give thought as to how this would work in practice, and this should form part of their response to the STDC Board and Cabinet. • MS noted that Appendix 21, Tees Valley Governance Review & South Tees Development Corporation, Detail, point 1, recommends that STDC appoint a larger board, and advised 		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		<p>that in his experience if a board is too large it becomes ineffective. Point 5 recommends the appointment of Independent Statutory Officers, MS did not agree with this recommendation, he did not believe it would provide greater accountability and felt that it needed greater consideration.</p> <p>ES advised members that herself and GM are conflicted on this item and explained that if members wished to discuss the item further, they would need to leave the room. JB asked that the discussion continue.</p> <p><i>Emma Simson and Gary Macdonald left the room</i></p> <ul style="list-style-type: none"> • JB noted that this would just be another post to lean on, increasing costs and could cause delay, and he felt it was more about how we audit ourselves. He raised concern that additional statutory officers, given the nature of the alignment between TVCA and STDC would be likely to create unnecessary conflict and slow progress and effective audit. MS agreed and felt that the proposed action was too much. MS also felt that additional statutory officers would come at a huge expense to the taxpayer. These additional posts would either all agree, at which a large amount was expended for no discernible benefit. Alternatively they may fundamentally disagree, which would mean a huge amount had been expended to simply create an impasse. JB noted that we do not want to get in to a position where we create delay • MS asked SP and Mark Rutter, Ernst Young, (MR), for their thoughts in terms of value for money. MR advised that he could not provide advice on this item, but did not feel that the costs involved were insignificant. SP felt that it falls back to Governance and how it is managed. JB felt that this item should be revisited at a later date. • GW highlighted the need to understand how the matrix and complexity will work, and felt that in one respect it was adding redundancy in to the system that was not needed, but acknowledged that there are external pressures dictating that this redundancy comes in to play, but until they see how it manifests itself, they will not know. He felt that there needed to be a way to test it without investing in significant salaries associated with recruitment, and asked if there was a way to prototype it to some extent to determine whether the investment was appropriate. • GW shared the concerns expressed pertaining to the risk associated with the committed resource, and asked how we utilise the exiting governance that we have. 		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		<p><i>Emma Simson and Gary Macdonald returned to the room</i></p> <p>ES provided an update in respect of the remaining recommendations:</p> <ul style="list-style-type: none"> • HM Government <ul style="list-style-type: none"> ▪ Recommendation 4 – Julie Gilhespie, Chief Executive Officer, (JG) had asked Government to clarify its proposals for landfill tax, a response is still awaited, and they are aware that our response to the Secretary of State will note that a response is still awaited. ▪ Recommendation 5 – DLUHC had been asked to clarify the regulations in respect of oversight, reserve matters and consents as well as stranded liabilities. ES explained that there is no provision in law, and TVCA had sought independent legal advice. If the Mayor and Cabinet choose to wind up an MDC, they must first find a home for the assets and liabilities, however the constituent authorities do not have to agree to take these. If an MDC goes into liquidation, the law is silent, in discussions with them it was felt that the law is silent for a reason, but this is a view. • Governance <ul style="list-style-type: none"> ▪ Recommendations 6 and 7 – ES reported that the Centre for Overview and Scrutiny had provided a report which had been discussed in detail at the Overview and Scrutiny meeting on the 4 September 2024. ▪ Recommendations 8 and 9 – the updated constitutions had been included in the pack. In the Cabinet report TVCA have committed to take an update in respect of one of the MDCs to each Cabinet. Further an update on all three will be taken to Cabinet annually with a recommendation that Cabinet review and make a decision pertaining to the continuation of the respective MDC's. ▪ Recommendation 11 – ES noted that updates had been provided at briefings, and having discussed this recommendation with constituent authorities they felt they would have differing conflicts and would therefore no undertake this role. ▪ Recommendation 16 – Boards have been extended to have a greater level of experience and the Mayor provided to Cabinet skills matrices and pen sketches for all members appointed at the Cabinet on 27 June 2024. 		

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
		<ul style="list-style-type: none"> ▪ Recommendation 17 – ES noted that TVCA will continue to produce comprehensive reports, but if members feel they need more information or have questions they should ask these. ▪ Recommendation 18 – where possible TVCA will publish presentations as part of the meeting papers. Conflict of interest training has been commissioned and it will be delivered directly to members. <ul style="list-style-type: none"> • Constituent Authorities <ul style="list-style-type: none"> ▪ Recommendations 13, 14, 15 and 20 – ES reported that TVCA have factored in to the paper approval process meetings with the Chief Executive Officers (CEO), FDs and MOs of the respective constituent authorities. • STDC and Teesworks <ul style="list-style-type: none"> ▪ Recommendation 21 – as noted earlier, Endeavour Law have now provided the list of documentation that will form the bible of documents. The work required to compile these is significant, but once complete they will be shared. ▪ Recommendations 22 and 23 – ES reported that the advice from Endeavour Law is that the agreements are legally binding. Discussions are ongoing with the JV Partners and their response is awaited. ES advised members that they reserve comment until a response is received. • Freedom of Information <ul style="list-style-type: none"> ▪ Recommendation 26 – reporting on STDC FOIs is to be factored into the Forward Plan for the Committee. FOI statistics are now published on our website and will be updated quarterly. • GM noted that the Committee are asking for risk reporting in respect of resourcing, and this will be brought to committee as part of future risk management reports. <p>RESOLVED THAT: The Committee noted the report and supporting information which will be considered at the STDC Board on 26 September and Cabinet meeting on 27 September; and agreed their final response for consideration at the aforementioned STDC Board.</p>	<p style="text-align: center;">Update Forward Plan</p> <p style="text-align: center;">Resourcing to be added to the Risk Management Report</p>	<p style="text-align: center;">Governance</p> <p style="text-align: center;">Performance, Risk and Assurance</p>

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
STDC- A&G 06/2024	Date & Time of Next Meeting	Thursday 24 October 2024 at 10:00am		

DRAFT