



South Tees Development Corporation Annual Governance Statement 2019/20

1. Introduction

This Annual Government Statement comes at a pivotal moment for the South Tees Development Corporation.

As this statement was published, the public inquiry into compulsory purchase orders sought by the Corporation came to a conclusion, with the Planning Inspectorate ruling in favour of the Corporation and granting us the powers that we need to bring the land into local control, get spades into the ground and make our visionary 25-year Master Plan for the site a reality.

This Master Plan will see the creation of a world-class centre for the clean energy, offshore and innovation sectors, creating 20,000 good-quality, well-paid jobs.

But as the Development Corporation moves into its delivery phase, the need for good governance grows stronger. Over the next twelve months our organisation is likely to grow in complexity as we move towards the transition of the South Tees Site Company into the wider Development Corporation and ensure appropriate oversight and scrutiny of delivery vehicles established as part of the Compulsory Purchase Order process and site development.

It is for this reason that the past year has seen us integrate our governance function into that of the wider Tees Valley Combined Authority Group. This move was designed to deliver greater transparency and efficiency of the Development Corporation's day-to-day decision-making process. We are already seeing the impact of that decision in strengthening both our delivery and openness.

2. The Scope of Responsibility

The South Tees Development Corporation is 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 1999 Local Government Act 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 are followed to ensure these are effective, transparent and accountable.

These arrangements are designed to be consistent with the principles and best practice outlined in the CIPFA guidance on good governance.

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 25-year 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's 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.

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, schemes of delegation and how decisions are made.

The Constitution – which can only be amended by the unanimous agreement of members – also sets out expected standards of behaviour for both officers and members.

The Constitution clearly sets how both the activities of the Chair, Chief Executive and other Senior Officers will be subject to a robust set of check and balances, and details how this scrutiny process will be delivered.

As part of the integration of the South Tees Development Corporation (STDC) governance structure into the wider Tees Valley Combined Authority group governance structure an ongoing review of existing Development Corporation governance procedure has been undertaken to ensure compatibility between policies and procedures, compliance with regulatory requirements and to deliver a group-wide approach to governance.

This Governance Review has included a number of constitutional amendments, including new commitments to the publication of Board and Audit & Risk Committee papers and allowing public access to meetings of these committees.

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 the STDC.
- An **Audit & Risk Committee** with oversight responsibilities in matters concerning risk, financial affairs and probity, overseeing STDC's internal audit and external audit arrangements.

Monitoring Officer

We have arrangements to ensure compliance with relevant laws, regulations, internal policies and procedures, and that expenditure is lawful. The Commercial and Legal Manager at Redcar and Cleveland Borough Council is the Corporation's designated Monitoring Officer and a protocol is in place with all directors, to safeguard the legality of all Corporation activities. All Board reports are considered for legal issues before submission to members.

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.

External Audit

The purpose of the External Auditors, Mazars, is to provide an opinion on the accounts and Value For Money conclusion.

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.
- 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 (2010).

South Tees Developments Limited

South Tees Developments Limited (STDL) is a wholly owned subsidiary of STDC, whose Governance is fully integrated as part of the Governance arrangements described above. STDL exists to hold assets acquired by the STDC Group in accordance with its Land Acquisition Strategy.

South Tees Site Company

Estate land assets at the STDC site are currently managed by the South Tees Site Company Ltd (STSC), an interim government body established in December 2016 to ensure the safe, secure and cost-effective management of the former SSI site. This company has its own Board, which contains representation from the Development Corporation.

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 & Risk 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 and published Declaration of Interest.

A revised Declaration of Interests process has been agreed as part of a recently completed Governance Review.

Gifts & Hospitality

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

A revised Gifts & Hospitality process has been agreed as part of a recently completed Governance Review.

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.

A revised Anti-fraud and Corruption Strategy has been agreed as part of a recently completed Governance Review.

Governance Arrangements

Following the integration of Development Corporation governance functions with the wider Combined Authority group, the Corporation now 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 number of areas including transparent decision making, Declarations of Interest, Whistle-blowing and Freedom of Information request handling.

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 Governance Committee, where appropriate.

External Audit

Our most recent auditor’s report, issued on July 25th 2019, concluded that:

“In all significant respects, the Corporation put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2019”.

Internal Audit

An annual Internal Audit Report for 2019/20 was recently completed which concluded that the organisation has an adequate and effective framework for risk management, governance and Internal control. However the report also identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains effective. .

- **Budget setting and control:** *“Our review highlighted examples of strong practice.... (but) our review identified a number of areas where the Corporation could improve its control framework around budgeting and monitoring*
- **Procurement:** *“the Board can take reasonable assurance that the controls in place to manage this risk are suitably designed and consistently applied. However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified area.”*

6. Impact of COVID-19

Although the COVID-19 outbreak in March 2020 presented significant challenges to day-to-day operations of the South Tees Development Corporation – particularly work on site - robust pre-existing business continuity plans ensured in was possible to minimise the impact of the disruption on our governance arrangements.

The Corporation responded to the unprecedented situation by:

- Ensuring continuity of the governance framework by immediately re-arranging all non-statutory meetings to take place by video conferencing and preparing for statutory meetings to take place by video conferencing in advance of this power being granted to local authorities.
- Implementing power to temporarily hold statutory meetings remotely granted under the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 from April 2020.
- Implementing guidance from the relevant supervisory authority – the Information Commissioner’s Office – relating to the treatments of Freedom of Information requests during the outbreak and informing request makers.
- Adjusting financial reporting schedules to reflect revised deadlines and communicating these changes to the appropriate committee members.

7. Conclusion

It is our conclusion – validated by external opinion – that the Development Corporation operates a satisfactory and improving 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. No significant matters have been identified in our effectiveness review.

8. Progress

The following actions have been proactively taken since the publication of the previous Annual Governance Statement in order to mitigate against future risks and continue to strengthen our arrangements.

Action	Outcome
Integration of governance framework with Tees Valley Combined Authority.	Improved transparency and effectiveness of decision-making process.
Governance Review	Ongoing review of effectiveness of every aspect of governance framework to provide greater assurance for Board members, committee members, senior officers and stakeholders.
Risk Appetite Statement and Risk Threshold	Board-level adoption of Risk Appetite Statement and Risk Threshold levels detailed in Risk Management Framework.


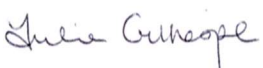
9. Action Plan

The following actions are envisaged for the future development of our governance and risk management systems.

Action	Outcome	Responsibility	By When
Review and updating of Corporation Constitution	Reviewed constitution	Chief Executive	End July 2020
Governance Review	Enhanced transparency, decision-making and assurance	Director of Finance & Resources	Autumn 2020
Introduction of TVCA Group Governance Framework Toolkit	Further embed governance framework across organisation.	Director of Finance & Resources	Autumn 2020

Review of governance of delivery of constituent elements of Combined Authority Group – including South Tees Development Corporation and associated vehicles.	Enhanced transparency, risk management and decision-making.	Chief Executive/Director of Finance & Resources	End July 2020
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Signed

Ben Houchen	Tees Valley Mayor and Chair of South Tees Development Corporation		<i>6 October 2020</i>
Julie Gilhespie	Acting Chief Executive, South Tees Development Corporation		<i>6 October 2020</i>