

South Tees Development Corporation Annual Governance Statement 2021/22

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 (TVCA) governance framework and have been operating effectively for two complete financial years.

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. The ownership structure of the site changed at the end of the 2021 calendar year, signalling the coming to an end of the Group's role in demolition and remediation of the site to the attraction of businesses and investment onto the site. The pace and ambition for the site remains high and the role of STDC's group Boards unchanged. It's 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 on what remain a COMAH site.

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 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 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 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 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, 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 by the STDC Board and TVCA Cabinet.

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 & Risk Committee** with oversight responsibilities in matters concerning risk, financial affairs and probity, overseeing STDC's internal audit and external audit

arrangements.

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.

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.

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 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.

Teesworks Ventures Limited

This is a wholly owned subsidiary of STDC and is dormant. It was created solely for the purposes of a potential name swap with Teesworks Limited.

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 & 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 Declaration of Interest.

Gifts & Hospitality

All Development Corporation employees and members must declare any offers of gifts or hospitality and the Combined Authority maintains a register of these offers, 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 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, 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.

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 17 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 December 4th 2020, concluded that:

"On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, South Tees Development Corporation has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020."

We expect to receive our 2020/21 auditor's report on August 1st 2022, we expect the conclusion to be in line with the 2019/20 report.

This will be separately reported to Board as soon as it is available.

Internal Audit

An Annual Internal Audit Report was received 20th July 2022 which concluded that:

“The organisation has an adequate and effective framework for risk management, governance, and internal control”

The following opinions were provided in the Audit Report:

Governance

We did not perform a specific governance review at the organisation in 2021/22, however we have covered elements of the governance frameworks in place for the following reviews and have used this work to support our governance opinion:

Group Structure

Effectiveness of Partnership Arrangements

Projects: Demolition Programme and South Bank Quay Project.

Each of the above reviews received a positive assurance opinion (both substantial). 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 2021/22, however, our risk management opinion was informed by the assessment of the risk mitigation controls and compliance with those controls in our risk-based reviews as follows:

- Scrap and Disposal of Assets (Risk: GSR-R036: Fraud – management of scrap metals) – substantial assurance.*
- Projects: Demolition Programme and South Bank Quay Project (Risk: GSR-R023: Failure to meet objectives) – substantial assurance.*
- Effectiveness of Partnership Arrangements (Risk: GSR-R010: Lack of alignment of priorities and accountable/responsible persons) – 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 four audits (including the three risk driven reviews mentioned above) of the control environment that resulted in formal assurance opinions.

All four of these reviews concluded that substantial (positive) assurance opinions could be taken by the Board.

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 reasonable progress had been made towards the implementation of those actions agreed.

The following assignments were completed 21/22 which concluded:

Assignment	Assurance level	Actions agreed		
		L	M	H
Scrap and Disposal of Assets		4	0	0
Follow Up of Previous Internal Audit Management Actions	Reasonable Progress	0	0	1
Group Structure		0	0	0
Effectiveness of Partnership Arrangements		0	0	0
Projects: Demolition Programme and South Bank Quay Project		1	0	0

To date (July 2022), the majority of these actions have been implemented with the remaining actions making good progress.

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.

In accordance with Government guidance meetings began to be held in person again with effect from 7th May 2021 and staff began a phased return to office working.

7. Conclusion

It is our conclusion – validated by external opinion – 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	<i>signature</i>	<i>date</i>
Julie Gilhespie	Group Chief Executive, South Tees Development Corporation	<i>signature</i>	<i>date</i>