

Date: Thursday 19th January, 2023, at 2pm

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

Membership:

Mayor Ben Houchen (Tees Valley Mayor)
Cllr Mary Lanigan (Leader, Redcar & Cleveland Borough Council)
Mayor Andy Preston (Mayor of Middlesbrough)
Graham Robb (Independent Member)
David Smith (Independent Member)
Jacob Young MP (Independent Member)
Neil Schneider (Independent Member)
Julie Gilhespie (Group Chief Executive TVCA, STDC)

Associate Membership:

Tom Smyth (BEIS)
John Sampson (MD, Redcar & Cleveland Council)

AGENDA

- 1. Welcome & Introductions**
- 2. Apologies for Absence**
- 3. Declarations of Interest**
Attached
- 4. Minutes from previous meeting**
Attached
- 5. Chair's Update**
Verbal Update
- 6. Group CEO Update**
Attached
- 7. Finance Update**
Attached
- 8. Site Company EHS Update**
Attached

Under the terms of paragraph 3 of schedule 12a Local Government Act 1972, this report is not for publication.
- 9. Freeport Update**
Attached

Under the terms of paragraph 3 of schedule 12a Local Government Act 1972, this report and appendix are not for publication.
- 10. Date and Time of Next Meeting**
Thursday 9th March, 2023 at 2pm

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:

tvagovernance@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) BOARD

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

Date: 7th July 2022

Time: 9am

Location: Teesworks Skills Academy, Off Eston Road, Middlesbrough

Attendees:		Apologies:
Ben Houchen (Chair)	Tees Valley Mayor	Mayor Andy Preston – Mayor of Middlesbrough
Mieka Smiles	Deputy Mayor of Middlesbrough	Jacob Young
Mary Lannigan	Leader, RCBC	
Graham Robb	Recognition PR	
David Smith	Energy Networks UK	
Neil Schneider	Independent Member	
Julie Gilhespie	TVCA, STDC Group	
Gary Macdonald	TVCA, STDC Group	
John McNicholas	STDC	
John Sampson,	MD RCBC	
Tom Smyth	BEIS, Interim Government Representative	
Chris Harrison	JV Partner	
Sally Henry (Secretariat)	TVCA Governance	

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
1.	Welcome and introductions	The Chair welcomed everyone to the meeting.		
2.	Apologies for Absence	Apologies were given as noted above.		
3.	Declarations of Interest	There were no interests declared.		
4.	Governance & Appointments	<p>The Board was invited to:-</p> <ul style="list-style-type: none"> • agree the appointment laid out in the papers; • agree the members allowance scheme for 2022-23; • note that the Monitoring Officer has reviewed the Constitution and has not proposed any amendments. <p>Resolved that the content of the Governance & Appointments report was agreed.</p>		
5.	Minutes from previous meeting	<p>The Board reviewed the minutes of the meeting held on 24th March, 2022.</p> <p>Minutes of the meeting held on 24th March were agreed.</p>		
6.	Chairs Update	<p>The Chair provided the Board with a verbal update.</p> <p>On behalf of the Board, The Chair thanked all staff involved in completing the SeAH Wind deal.</p>		

		<p>He also passed on his thanks to Redcar & Cleveland Council, specifically all involved in the Planning Department.</p> <p>He stressed the importance of the deal to the area as a whole.</p> <p>He also thanked Government Departments for their support during negotiations.</p>		
7	Group CEO Update	<p>A report was provided giving an update on key activity within STDC since the last meeting.</p> <p>Resolved that the content of the report was noted.</p>		
8	Finance Update	<p>The Board were provided a report which gave an update on financial performance for the 12 months to 31 March 2022 compared to the previous and the forecast position for 2022/23.</p> <p>Gary Macdonald advised the Board that table 1 in the report is a Forecast, not actual financial performance as stated in the report and that the Government Offshore Wind £20m is still subject to final Government sign off processes and approval.</p> <p>The Board were advised that work is ahead of schedule and on budget to deliver the required projects across the site.</p> <p>Resolved that the content of the report was noted.</p>		
		<p>The Chair passed a motion to exclude press and public at this stage of the meeting so the Board could discuss matters of a Confidential nature. This was seconded by David Smith.</p>		

9	Keep Safe Update 1st November 2021 to 31st May 2022	The Board was provided with an update on the Keep Safe activities on site.		
10.	Freeport Director Report	A report provided by the Freeport Director was circulated which provided the Board with an update.		
11	SeAH Wind Inward Investment	Board were provided with an overview of the SeAh Wind investment.		
13.	Date & Time of Next Meeting	Thursday 16th June, 2022 at 2pm		

AGENDA ITEM 6

REPORT TO THE STDC BOARD

19TH JANUARY 2023

REPORT OF THE GROUP CHIEF EXECUTIVE

GROUP CEO UPDATE REPORT

SUMMARY

The purpose of this paper is to review the activity which took place throughout 2022 on the Teesworks site and provide an overview of developments coming in 2023.

RECOMMENDATIONS

It is recommended that the Board notes the content of this update report.

DETAIL

2022 – YEAR IN REVIEW

1. As this report is the first of 2023 it feels appropriate not just to identify the significant opportunities ahead but also to reflect on the activity undertaken throughout 2022 and also how far the Development Corporation has come since incorporation in 2017.
2. It does not seem that long ago in June 2016 when the Rt Hon the Lord Heseltine of Thenford CH produced his independent report “Tees Valley: Opportunity Unlimited” and declared in his view that “the Tees Valley has an exciting future and that it should be helped to assert its own character and personality.” South Tees Development Corporation was brought into existence via legislation in 2017 to harness the skills and talent of the Tees Valley to bring together a compelling vision for the site. STDC further reinforced the “Opportunity Unlimited” by setting out a bold vision and masterplan for the site and committing as a Board to putting the key building blocks in place to enable this to happen.
3. To do appropriate justice to the scale of changes and work that has been required by the

Board, partners, local stakeholders, staff and others is challenging in itself but some of the highlights are set out below: -

Funding

- Successfully secured the necessary initial funding commitment from government to invest in remediating the site, £71m initially
- Successfully secured increased funding from Government bringing the total investment to £126m for remediation and demolition on site
- Securing a further £20m investment from Government to support a Teesside Offshore Manufacturing Centre on Teesworks
- Securing the first Local Authority investment from the UK Infrastructure Bank of £107m to deliver a purpose-built 450m Offshore Wind quay at the South Bank area of the site with the potential to increase this to 1km to meet the expected future demand
- Securing a further £25m seed capital funding for the Freeport and £1m seed revenue funding

Land Assembly

- Successfully secured a compulsory purchase order for land assembly of the largest brownfield development of its kind in the UK
- 4,500 acres of land South of the River Tees along with 4.5million square foot of state-of-the-art manufacturing space

Land remediation and demolition

- Accelerated land remediation and demolition activity leading to delivery in 2-3 years for work that was originally envisaged to take 10+ years
- Remediation completing 160 acres of land with a further 290 acres in progress across the Teesworks site
- Demolition of 150 structures across the site to prepare the development plateau areas for future investment
- 2.5tonnes of explosives have been used across the various major demolitions
- Processing of c250,000 tonnes of scrap metal resulting from the demolition activity
- More than two million tonnes of material excavated on site including huge former steelmaking structures that have been demolished
- Significant progress in the removal of COMAH substances on site leading to the planned declassification of upper tier COMAH status expected in 2023

Marketing and development

- Rebranded the site and enhanced the international marketability of the site partnering with experienced joint venture partners and international real estate advisors. "Teesworks" was born.
- Securing the UK's first and largest Freeport including operationalising this and bringing the first product into the Teesworks primary customs zone – "Teesside Freeport" is born.
- Teesside Freeport and Teesworks marketed at international trade and investment events nationally and internationally

Securing private sector investment

- Securing SeAH Wind investment of c£400m in a purpose-built monopile manufacturing facility (the largest of its kind in the world)
- Attracting Net Zero Teesside investment to Teesworks representing some of the biggest oil and gas players in the market leading to other strategically important relationships in the Blue and Green Hydrogen economy
- Significant interest from a range of investors and companies looking to locate at Teesworks
- Catalyst effect on the surrounding area and supply chain for existing and new businesses including notable investments at Wilton with Nova Pangea to build their first commercial plant on Teesside, Tees Valley Lithium to build their hydroxide processing facility to name just a few

Teesside Offshore Wind and Manufacturing Centre

- Creation of international Manufacturing Centre for Offshore Wind businesses
- SeAH Wind investment in the largest monopile manufacturing facility in the world
- South Bank Quay construction to service the Offshore Wind markets with 450m of quay and capability to increase to 1km

Job creation

- 600-700 construction jobs have been supported on site to date
 - SeAH Wind manufacturing facility is set to employ 750 jobs with a further 1,500 in the supply chain
 - Net Zero Teesside collection of industrial, power and hydrogen businesses which aim to decarbonize their operations through the deployment of carbon capture utilization and storage (CCUS) - c4,000 direct and indirect jobs
 - Circular Fuels waste to energy plant - c250 jobs
4. Korean investor SeAH Wind Ltd's offshore wind turbine monopile facility on the Teesworks site is progressing at pace following the successful completion of a long-term lease. Piling rigs have been drilling the c6,100 piles (each 1 metre in diameter) into the site in preparation for the factory. SeAH's commitment to the site and wider area is significant and regular strategic and operational relationships are continuing to develop to ensure that this investment is built on with the wider businesses in the Tees Valley. Hanson's Teesside plants will produce the concrete for Rainton construction to use in its piling operations for SeAH Wind.
 5. Discussions with NZT have progressed following the approval by BEIS for the project to move forward. Teesworks is close to agreeing the terms of an option and remediation specification which will allow NZT to progress the Development Consent Order (DCO) and the site to commence remediation.
 6. Work towards COMAH status removal continues and the expectation is that this will be achieved before the end of this financial year. Assets which include COMAH inventory should be fully cleaned by Christmas so that we can move towards declassification. The South Bank area is already clear of COMAH assets but, as previously reported to Board the ability of the HSE to split the site has made it easier to simply declassify the entire site at once.
 7. A more detailed COMAH update is provided as part of the Environmental, Health and

Safety (EHS) report and once declassification has been achieved, the need of COMAH reporting will be removed.

2023 FORWARD LOOK

8. Work programmes are in place for the final planned rundown of South Tees Site Company (STSC) and subsequent shift to an Estate Management company. This will mark another major milestone in transitioning from the legacy “keep safe” focus activity following the departure of SSI from the site to a more progressive estate management arrangement that supports the various existing and planned tenants on site providing professional services across a range of activities. Further planned activities by Teesworks Ltd are being developed to reflect the growing demand and interest on site. Plans to create a service complex, including a hotel and family pub, on the edge of Teesworks have been put forward. The services zone near the Trunk Road at Lackenby will include a 160-bed hotel, two parades of shops and a petrol station. A 4,500 square foot convenience store is also included alongside a pub/eatery and two other freestanding restaurant units. Outline plans are set to be submitted to Redcar and Cleveland Borough Council in the coming weeks.
9. The 2023 calendar year ahead represents the completion of STDC areas of responsibility on site in terms of public sector remediation, decontamination and demolition activity, declassification of COMAH status and SeAH delivery implementation support. The associated services that have maintained the site as set out above will no longer be required as the areas they supported are either removed or de-risked to a level that can be taken on by future estate management arrangements.
10. The private-sector-driven development and investment is working in parallel taking forward the associated inward investment and business development activity, market engagement and implementation of future leaseholds with tenants. This work is also considering the associated support services required to support such tenants given the scale of the site as set out above.
11. With 2023 as a year of even more progress it is also very much a year of transition for STDC and the activities set out above will be factored into a review of the Corporation plans going forward including the associated Budget 2023-24 and Medium Term Financial Plan requirements updated to reflect these changes with a view to presenting to Board for consideration and approval in March 2023.
12. STDC will continue to work with Government and partners to maximise the potential of the site and attract world-class investment. Work is already in progress to ensure that all international investment opportunities are presented to the area based on the key unique capabilities and selling points of Teesworks and the wider Teesside Freeport.

FREEPORT

13. The Full Business Case has passed the Treasury Approval Process and we have now received confirmation from Dehenna Davison MP, the Minister for Levelling Up, that Government had given the final approval for our Freeport – and that we have secured £25m in seed funding to help drive it forward.
14. Teesside Freeport continues to manage risk in accordance with TVCA procedures and

having undergone the first external review, was deemed to have the highest standard of assurance with no management actions to review. The management of risk is being further enhanced through the refining of the Freeport workstream process to provide greater stakeholder focus. A more detailed update is provided in the separate Freeport paper.

UTILITIES

15. The work to connect and accommodate SeAH's power requirements continues with a new South Bank 66 & 11kV substation required. All orders for electrical elements are in place and detailed engineering progressing. We are liaising with the supply chain to mitigate any potential delays to replacement transformers for the SeAH plot, however this will not affect our plans to energise SeAH power on the target date. Civil concepted engineering has been provided. The planning and civil build contract award is progressing.
16. The workstream with National Grid (NG) to formally assess the viability of the High Voltage Network to accommodate generation (TV ERF, battery energy storage and wind generation) and to assess future site demand scenarios for Teesworks is ongoing, with Teesworks in continued dialogue with NG.
17. The SCADA system install is complete and system operational. Final site acceptance tests and associated field work has completed. Snagging list developed from testing is being actioned and optimisation has been occurring through December 2022.
18. Strategy for the former Redcar site distribution has been refined to accommodate NZT remediation timescales, optimisation of existing assets and the ability to supply potential customers. Work ongoing to prioritise and develop priority items for action in Q1 2023.

PROGRAMME DEVELOPMENT

19. Dorman Point
 - The Eston Road highway access scheme is fully complete, inclusive of landscaping and security fencing.
 - With 55% of the site now fully remediated, a further phase of remediation has recently commenced on land adjacent to the new site entrance. Additionally, work is ongoing to construct an open channel watercourse along the eastern boundary of the site, as part of the Teesworks strategic drainage network.
20. South Bank
 - Progress is continuing on South Bank Quay Phase 1. Regarding land-based works, the 450m long quay wall will be fully complete by the end of 2022, and work on the construction of the large heavy lift platform is well advanced. On river (or marine) works, the Phase 1 dredging operation involving a closed bucket method and disposal of all dredged material to land, is fully complete. Phase 2 of the dredging operation – the main capital dredge – is scheduled to commence in Q1 2023. This operation will see close to 1million cubic metres of material dredged from the Tees and disposed of at sea to approved disposal sites, in accordance with our MMO Marine Licence.
 - Ground remediation works to the 90-acre SeAH site are complete, and foundation construction works for the new monopile manufacturing facility are well underway.
 - Following the conclusion to a competitive tender process, the contract for construction

of the 1.7km (1 mile) long South Bank Link Road has been awarded to local contractor Rainton Construction Limited. Design work by appointed consultant Atkins is very close to being complete, and the contractor will commence mobilisation to site in December.

- The contract for construction of Phase 1 of the new South Bank Watercourse has been awarded to Hall Construction Services Limited, another local contractor, again further to the completion of a competitive tender process. Construction works are underway, with installation of the new gabion basket retaining wall well advanced.

21. Demolition Works Programme

- Progress is being maintained on the site-wide demolition programme. Demolition of the South Bank Coke Ovens is complete. The BOS Plant and Sinter Plant projects have progressed to completion of all demolition works, with only materials processing remaining. At Redcar Coke Ovens, the Battery demolition project is very close to completion, with the By-products Plant decontamination and demolition ongoing.
- The Redcar Blast Furnace was brought down by explosive demolition in November, with a further blowdown scheduled for December to complete the demolition operations. Finally, work on the demolition of Redcar Power Station is progressing.
- We expect all demolitions to be substantially complete by the end of March 2023, with the programme running to June 2023 to cater for scrap metals processing activities.

22. Net Zero Teesside

- Progress continues to be made with BP in finalising the commercial and contractual negotiations on the Option Agreement. Once concluded and signed, the ground remediation works to the 100-acre site can commence, subject to the completion of our ongoing dialogue with the Environment Agency on the regulatory permit for these works.

23. 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

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

Name of Contact Officer: Julie Gilhespie

Post Title: Group Chief Executive Officer

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AGENDA ITEM 7

REPORT TO THE STDC BOARD

19TH JANUARY 2023

REPORT OF DIRECTOR OF FINANCE AND RESOURCES

FINANCE UPDATE

SUMMARY

The purpose of this paper is to update the Board on financial performance for quarter two being the 6 months to 30 September 2022 and the forecast position for 2022/23.

RECOMMENDATIONS

It is recommended that the Board notes the content of this report.

FINANCIAL PERFORMANCE STDC GROUP 2022/ 2023

1. The financial information below for STDC, STDL and STSC covers:
 - Actual financial performance for the 6 months to 30 September 2022; and
 - Forecast financial position for 2022/23

ACTUAL FINANCIAL PERFORMANCE: GROUP

2. The table below shows the actual financial performance for the 6 months to 30 September 2022.

Table 1

	Prior Year Spend 2021/22	Q1 Spend 2022/23	Q2 Spend 2022/23	YTD Total spend 2022/23	Q1 and Q2 spend as % of total forecast spend for 2022/23
	£'000	£'000	£'000	£'000	%
Overheads	4,289	707	3,577	4,284	44%
Operating costs	4,289	707	3,577	4,284	44%
Demolition	40,952	25,697	19,515	45,212	50%
Site Preparation and Infrastructure	58,725	11,467	5,101	16,568	24%
Enabling Studies and other	7,903	411	983	1,394	29%
South Bank Quay	23,283	9,891	6,683	16,574	22%
Project Expenditure	130,863	47,466	32,282	79,748	33%
Land acquisition costs	1,300	0	0	0	0%
Keepsafe	12,150	3,720	2,584	6,304	71%
Invest to save	14,469	2,385	2,347	4,732	73%
Tier 3 / Safety led demolition	1,645	117	130	247	52%
Ex SSI costs	28,264	6,222	5,061	11,283	71%
Net Expenditure	164,716	54,395	40,920	95,315	36%
<i>Funded by: -</i>					
BEIS RDEL	34,244	4,210	4,210	8,420	52%
BEIS CDEL	11,688	4,979	0	4,979	100%
MHCLG CDEL	36,769	0	0	0	-
BEIS WIND	20,000	0	0	0	-
Quay Borrowing	32,959	9,891	6,683	16,574	22%
Other	29,056	35,315	30,027	65,342	39%
Total	164,716	54,395	40,920	95,315	36%

3. The financial performance for the prior year 2021/22, showed a delivered spend of £164.7m.
4. The financial performance for quarter two 2022/23 shows a delivered spend of £40.9m, and a YTD spend of £95.3m being 36% of the total forecast spend for 2022/23. Delivery continues to be accelerated and significantly ahead of original plan.
5. **Project expenditure**
The Project expenditure shows accelerated demolition and infrastructure activity to reflect current priorities. This has led to expenditure in this area of £210.6m to date of which £79.7m was incurred in 2022/23.
Prioritisation of tax site locations on Teesworks West and East and the development of SeAH site/Quay enabling works continue at pace to meet incoming tenant requirements.
6. The main areas of spend in Q2 were:
 - (a) **South Bank Quay** – Total spend on the Quay for 2021/22 and Q1 and Q2 2022/23 was £39.8m, with £6.8m of this being incurred in Q2 2022/23. South Bank Quay Phase 1 has progressed well during quarter two with spend incurred on land-based works of the 450m long quay wall and Phase 1 of the dredging operation complete.
 - (b) **Site preparation and infrastructure** – Total spend to date is £75.2m of which £5.1m was incurred in Q2 2022/23. Spend has been incurred on the ground remediation works to the 90-acre site for SeAH.
 - (c) **Demolition** – Expenditure in Q2 has been incurred on the South Bank Coke Ovens demolition this work completed in September 2022 and on the BOS Plant and Sinter

Plant projects. Expenditure continues at Redcar Coke Ovens and the Battery demolition project.

- (d) **Land acquisition costs** – Land acquisition costs have predominantly completed following the Compulsory Purchase Order (CPO) vesting process. This has delivered within the previous forecast level.
- (e) **Overheads** – Overheads have increased in Q2 due to novation of contracts from STSC to STDL. Elements of this expenditure will form part of the Teesworks Estate Management Company service charge. A detailed budget will be presented to the next board.
- (f) **Financial commitments pipeline** – Since the previous meeting we can report successful procurement of Mechanical Labour support, supply of white diesel, and various cable diversions to support the demolition programme.

ACTUAL FINANCIAL PERFORMANCE: STSC

- 7. The following update relates to the financial performance of STSC versus the forecast for the 6 months to 30 September 2022

Table 2

Expenditure	Actual £'000	Forecast £'000	Variance £'000	Variance %
Keep Safe	6,304	7,179	-875	-12%
Invest to Save	4,732	4,817	-85	-2%
Tier 3 / Enfield	247	241	6	2%
Total Expenditure	11,283	12,237	-954	-8%

8. **Keep safe – costs to keep the site safe underspend £0.87m being 12% below budget.**

Expenditure is lower than budget due to the price of electricity being lower than forecast. The market continues to be volatile, and we are continuously working with our provider to forecast the future costs.

£150K savings have been achieved on waste management, drain cleaning and scaffolding costs.

9. **Invest to save – in line with budget**

Expenditure continues to track in line with forecasts.

10. **Tier 3 – cost of reactive safety led works are now within 2% of budget.**

Expenditure is only incurred in response to an appropriate incident/ risk identified on site. HSE are still active and there are still costs being incurred, this will continue into 2022/23.

- 11. Note that overall, the planned spend on I2S is £36.2m including all costs incurred from inception in 2018/19, this is after the two bi-product coke ovens were removed from scope. This is based on a renegotiated plan with Altrad, allowing for certain items within the original programme now to be completed by separate contracts.

12. The original Business Plan for I2S was £48.9m including the two bi-product coke ovens and included c£40m of costs relating to the post transition period. STDC Group have undertaken this project activity.
13. It was reported in the last Board paper that discussions with Altrad continue around the project completion timetable and in respect of the optimum methodologies required to complete the project. Any variation to plan could lead to an increase in the overall cost of the project; however, we continue to work with Altrad to mitigate potential additional costs. Risks to the core site development priorities/projects have been managed to enable continued progress on site.

TOTAL EXPECTED OUTTURN FOR 2022/23

14. The table below shows the forecast spend for Q3 and 4 2022/23 and the total forecast spend for 2022/23.

Table 3

	Forecast spend for Q3 and Q4	Total forecast spend 2022/23
	£'000	£'000
Overheads	5,427	9,711
Operating costs	5,427	9,711
Demolition	45,169	90,381
Site Preparation and Infrastructure	52,993	69,561
Enabling Studies and other	3,384	4,778
South Bank Quay	58,339	74,913
Project Expenditure	159,885	239,633
Land acquisition costs	200	200
Keepsafe	2,588	8,892
Invest to save	1,725	6,457
Tier 3/ Safety led demolition	228	475
Ex SSI costs	4,541	15,824
Net Expenditure	170,053	265,368
<i>Funded by: -</i>		
BEIS RDEL	7,664	16,084
BEIS CDEL	0	4,979
MHCLG CDEL	0	0
BEIS WIND	0	0
Quay Borrowing	58,339	74,913
Other	104,050	169,392
Total	170,053	265,368

15. Forecast expenditure for 2022/23 remains in line with the forecast presented at the last board meeting. Total forecast expenditure for 2022/23 is £265.3m.
16. External market factors continue to cause cost pressures, the impact of the factors outlined below has been reflected in the forecast outturn above.

The key market factors resulting in cost increases are outlined below:

- (a) The market recovery, from the construction materials shortage, continues to result in price hikes, with material prices for the sector and for all works increasing by nearly 24.1% in the year to July.
 - (b) The business department's monthly Building Materials and Components Statistics have published that year-on-year, repair and maintenance costs rose by 21.9%
 - (c) Labour costs continue to rise as a result of the tight labour availability in the market. The Office of National Statistics (ONS) has stated, 25% of construction businesses in the UK are experiencing skilled labour shortages.
 - (d) Wholesale energy prices continue to rise with suppliers passing on the costs.
17. For STSC, electricity costs for August are significantly higher than forecast. Based on our suppliers forecasts out to March 2022/23, this cost is continuing to increase, this has been factored into the outturn above We are taking mitigating action to reduce the impact, a full review is underway of our current usage and an action plan will be drafted from this review. The aim will be to reduce our usage to offset the unit price increases.
18. Procurement continues to work with our contractors to ensure value for money is achieved on all contracts.
19. All demolition projects are well advanced and are expected to complete in February 2023. Expenditure in Q3 is forecast to be incurred on the following main areas:
- (a) Dorman Point land remediation on land adjacent to the new site entrance and watercourse works.
 - (b) Foundation construction works for the new monopile manufacturing facility will continue.
 - (c) Construction of the new 1.7km (1 mile) South Bank Link Road.
 - (d) By-products Plant decontamination and demolition ongoing.
20. In terms of procurements ongoing for 2022/23, these include the appointment of a Management Contractor for the site management company (TEMCo). Additional procurements such as modular buildings for staff, Leachate removal contract and road resurfacing will be required.

EQUALITY & DIVERSITY

FINANCIAL IMPLICATIONS

1. Financial implications are discussed in the body of this report.

LEGAL IMPLICATIONS

2. There are no legal implications associated with the recommendations of this report.

RISK ASSESSMENT

3. This is an update report and as such is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.”

CONSULTATION & COMMUNICATION

4. Data reported in this paper has been considered by the STDC operational performance group and delivery group before being collated into this Board report
5. No specific impacts on groups of people with protected characteristics have been identified

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