

Annual Governance Statement 2017/18

Introduction

1. The South Tees Development Corporation (STDC) was established on 1st August 2017 as a new statutory body, a Mayoral Development Corporation, pursuant to the powers devolved to the Tees Valley Mayor under the Tees Valley Combined Authority (Functions) Order 2017. It lies wholly within the borough of Redcar and Cleveland and is responsible for approximately 4,500 acres of land to the south of the River Tees.
2. Prior to its formal establishment STDC was led by a Shadow Board, established by the Tees Valley Combined Authority and Government Ministers, in May 2016. Transition arrangements enabled decisions made by the Shadow Board to be reflected in policies and procedures of the Corporation at the point when it took effect. A Constitution was developed, led by the Combined Authority, setting out the objectives and powers of the STDC and establishing a framework for the Board, decision making through Committees, including Audit and Risk, and delegations.

Scope of Responsibility

3. The South Tees Development Corporation is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
4. The Corporation has established governance arrangements which are set out in its Constitution available on its website at

<https://www.southteesdc.com/wp-content/uploads/2017/10/STDC-Constitution-13-06-17.pdf>

The Annual Governance Statement sets out how the Corporation has complied with the framework and also meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015 in relation to a review of the effectiveness of the Internal Control system.

The Purpose of the Governance Framework

5. The governance framework comprises the systems and processes, and culture and values that direct and control our activities and through which we account to our Board and stakeholders. It enables the Corporation to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of its objectives.
6. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Development Corporation's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the

impact should they be realised, and to manage them efficiently, effectively and economically.

7. A governance framework has been in place at the South Tees Development Corporation for the year ended 31 March 2018 and up to the date of approval of the statement of accounts. A Constitution was agreed by the Tees Valley Combined Authority in June 2017 to reflect governance arrangements post-establishment of the STDC as a statutory body. This Constitution has been developed in consultation with the Constituent Authorities and in parallel to the legislative process which defines the specific powers and functions transferred to the Combined Authority and the Mayor in creating Development Corporations.

The Corporation's Vision

8. There is a clear vision of our purpose and intended outcomes for promotion of **economic growth** and commercial development of Tees Valley by converting assets in the South Tees area into opportunities for **business investment** and **economic growth**.
9. These aspirations and goals, along with the Corporation's plan for delivering them, are laid down in the Master Plan that was launched for consultation in October 2017 and sets out the objectives and deliverables over a 25 year period. Our ambition incorporates economic, social and environmental priorities and will contribute significantly to the economic growth within Tees Valley.
10. The objectives of the Corporation are:
 - a. 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;
 - b. To attract private sector investment and secure new, additional, good quality jobs, accessible to the people of the Tees Valley;
 - c. To transform and improve the working environment of the Corporation area, providing good quality, safe conditions for the workforce and wider community;
 - d. 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.
11. In support of these core objectives, the Corporation will work collaboratively with the Tees Valley Combined Authority, Redcar and Cleveland Borough Council, the SSI Task Force and other partners to contribute positively to local and Tees Valley-wide

initiatives on skills, job opportunities for local people (including those directly and indirectly affected by the closure of the steelworks), inward investment, transport, sustainable development, the natural environment, culture and tourism.

12. Within the Master Plan there is a Delivery Strategy incorporating 10 Core Principles:

- i. Ensure strong alignment with UK Government's Industrial Strategy
Resulting in an Area Based STDC Industrial Strategy while shaping the regeneration proposals to ensure the Tees Valley can make a telling contribution to the realisation of UK Government's aspirations for the Northern Powerhouse Initiative
- ii. Form strategic alliances with major operators so that the Tees Valley presents a coordinated, world class offer to the international marketplace
Collaborating with major land owners, industries and operators within the area to capitalise on synergies and symbiotic opportunities, avoid conflicts of use, realise true alignment and deliver mutually beneficial outcomes
- iii. Prioritise uses connected with advanced manufacturing and advanced and new technologies
Future-proofing the development and the long-term economic sustainability of the Tees Valley, while building an international-level brand for South Tees that is built on innovation and manufacturing excellence
- iv. Promote and support development uses aligned with a low carbon, circular economy, while delivering redevelopment within a framework of reduced energy costs and waste minimisation
So supporting the Tees Valley in becoming an exemplar, demonstrator region through the establishment of integrated supply chains in energy-intensive, high-tech prime sectors
- v. Focus on highly-skilled employment generating opportunities, while balancing this with the need to create a wide spectrum of job opportunities
Creating opportunities for upskilling and an increase in both the mean salary levels and Gross Value Added (GVA) for the Tees Valley economy
- vi. Evaluate redevelopment proposals not only from a direct jobs perspective, but as potential catalysts for job creation across the wider Tees Valley
Capitalising on and harnessing opportunities for supply chains and support industries and optimising beneficial outcomes for the local economy and our local communities
- vii. Deliver efficient connectivity across the South Tees area through enhanced on-site transport infrastructure to realise optimal functionality
Delivering a truly integrated industrial and manufacturing zone with excellent intra-connectivity, where the benefits of excellent port facilities and beneficial neighbouring industrial operators can be fully harnessed
- viii. Deliver redevelopment in a way that reduces pollution, contributes to habitat protection and long term sustainability, and that encourages bio-diversity
Creating a destination that is an exemplar of how major industry and vitally important environmental assets can co-exist in a mutually-beneficial way, realised through genuine collaboration between new businesses and national and local environmental bodies
- ix. Ensure the regeneration of the South Tees area makes a major contribution to the transformation in education and skills across the Tees Valley

Working with local authorities, the education sector, and local training and development initiatives to realise, through the redevelopment proposals, major opportunities for improving education attainment levels across the area and the skills base, to provide greater access to employment

- x. Use the regeneration opportunity to strengthen transport connections with Redcar town centre and other urban centres, to realise improved economic and community benefits
Capitalising on the significant increases in local employment afforded by the redevelopment of the STDC area to boost visitor economy, help revitalise town centres and deliver improved benefits for local communities
13. A set of indicative activities and output targets is also identified and these set out our priorities and the significant actions we will take. These, in turn, shape the activity of our various services and how we will focus our resources. We are clear where we need to get to and what we need to do to get there.

The Governance Framework

14. Arrangements are in place to review our vision and its implications for the Corporation's governance arrangements. The annual strategic planning process, engagement and participation with partners and stakeholders will ensure the Corporation's vision remains relevant and meets the needs of the area. There are regular reviews of the local Code of Corporate Governance to ensure that it is up to date and effective.
15. Arrangements are in place to measure the quality of our services, to ensure they are delivered in line with our objectives and for ensuring that they provide value for money. There are performance management arrangements in place including an annual appraisal scheme for staff. Services are delivered by suitably qualified / trained / experienced staff and all posts have detailed job descriptions/ person specifications.
16. The roles and responsibilities of Corporation members and employees are clearly documented. The Corporation's Constitution sets out how the Corporation operates. It incorporates a scheme of delegation, indicates responsibilities for functions and sets out how decisions are made. The Constitution is subject to regular review, with substantive changes requiring the unanimous agreement of the Corporation's Board.
17. The Constitution includes Rules of Procedure and various Codes and Protocols that set out standards of behaviour for members and officers.
18. During the year a system of scrutiny was in place allowing the scrutiny function to:-
- a. review or scrutinise decisions made, or other action taken, in connection with the discharge of any functions which are the responsibility of the Development Corporation;
 - b. make reports or recommendations to the Development Corporation with respect to the discharge of any functions which are the responsibility of the Development Corporation;
 - c. Make reports or recommendations to the Development Corporation on matters that affect the Corporation's area or stakeholders.

19. There is a requirement in the Constitution for establishment of an Audit & Risk Committee with an Independent Chair who is not a member of the Corporation's Board and also for the Combined Authority's Audit and Governance Committee to appoint one of its members to be a member of the Corporation's Audit and Risk Committee.
20. The Development Corporation has secured provision of certain of its administrative functions (including legal, human resources and ICT) with a view to their more economical, efficient and effective discharge through delegation to external providers such as Stockton-on-Tees Borough Council and South Tees Site Company Ltd.
21. Financial policies and procedures are in place, risk management processes are in the process of being strengthened with development of the Risk Strategy, and HR policies are being developed, aligned with TVCA where applicable and will be implemented in the coming months through a Staff Handbook. There are comprehensive budgeting systems in place and a robust system of budgetary control, including preparation of quarterly and annual financial reports, which indicate financial performance against forecasts.
22. The Corporations financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The Director of Finance (under Section 73 of the Local Government Act 1985) fulfils this role through the following:
 - a. Attendance at meetings of the Senior Management Team, helping it to develop and implement strategy and to resource and deliver the Corporation's strategic objectives sustainably and in the public interest;
 - b. Involvement in all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered;
 - c. Alignment of medium term business and financial planning processes;
 - d. Leading the promotion and delivery of good financial management by the whole organisation so that public money is safeguarded and used appropriately, economically, efficiently and effectively; and
 - e. Ensuring that the finance function is resourced to be fit for purpose.
23. The formal role of the Director of Finance (DoF) is currently provided through the current MD for TVCA . New interim Heads of Finance have been appointed for both Tees Valley Combined Authority and South Tees Development Corporation.
24. The Development Corporation has an Audit and Risk Committee which, undertakes an assurance and advisory role to:

Audit

 - a. To consider the effectiveness of the STDC's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements, and seek assurance from the Chief Officers, Internal Audit and External Audit that action is being taken on risk related issues within the organisation.
 - b. To consider internal audit annual reports and opinions; and consider a review of the effectiveness of the system of internal audit.

Standards

- c. To promote and maintain high standards of conduct by STDC members and co-opted members.
 - d. To ensure the STDC members and co-opted members observe the Members' Code of Conduct.
 - e. To advise the Development Corporation Board on the adoption or revision of the Members' Code of Conduct.
 - f. To monitor complaints received by the STDC in respect of Member conduct.
 - g. To conduct hearings following investigation and determine complaints made against members and co-opted members.
 - h. Where a member or co-opted member is found to have failed to comply with the Code of Conduct to take such action as may be necessary to promote and maintain high standards of conduct, in accordance with the powers available to the Committee.
25. The Corporation recognises the need to review its Counter fraud strategy policy designed to encourage prevention, promote detection, ensure effective investigation where suspected fraud or corruption has occurred; and prosecute offenders where appropriate. One new measure that has recently been introduced is a Register of Personal Interests for all members of staff at STDC.
26. 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.
27. Arrangements for confidential reporting (whistle-blowing) and for receiving and investigating complaints are in place. We are committed to maintaining these arrangements to ensure that, where any individual has concerns regarding the conduct of any aspect of the Corporation's business, they can easily report their concerns. The whistle blowing arrangements support the maintenance of a strong regime of internal control.
28. Members are experienced in their roles for the Development Corporation, and undertake designated portfolio roles through Committee membership in support of Board decision-making; supported by lead officers for that portfolio area. The Corporation recognises that managing the performance of all of employees is key to ensuring that the organisation meets the needs of the area. This includes assessing ability against requirements of the role focusing on strengths and highlighting areas of weakness, job related training, and on-going evaluation of the extent to which employees understand and support the values of the Corporation.
29. Channels of communication have been established with all partners and stakeholders to promote accountability and encourage open consultation. We are committed to listening to, and acting upon, the views of partners and stakeholders and carry out consultation in order to make sure that services meet the needs of the area. The Corporation maintains an active social media presence, and ensures full transparency of its policies and decision-making.

30. We continue to work closely with all our partners including the Tees Valley Combined Authority, Redcar & Cleveland Borough Council, other public bodies, the Voluntary, Community and Social Enterprise (VCSE) sector and the private sector. We have established proportionate governance arrangements for all partnerships.

Review of Effectiveness

31. The Development Corporation has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.
32. The Chief Executive Officer, Director of Finance and Engineering and Programme Director have undertaken this review and a report was prepared for the Annual Meeting of the Corporation in July 2018.
33. The review was informed by a number of assurances gathered from all available sources and in particular:-
- a. Assurances from senior officers responsible for relevant specialist areas.
 - b. Redcar & Cleveland Borough Council provision of the internal audit service to the Development Corporation for 2017/18. Internal Audit has liaised with the relevant statutory officers during the year to assist in the adequacy and effectiveness of the Corporation's existing systems of internal control. The Head of Internal Audit's annual assurance opinion will be available for the STDC Annual meeting.
 - c. Audit and Risk Committee Identification of "significant risks" and recommendations to the Board that in their view give rise to a Referral Decision. A Referral Decision is any decision or issue which may result in a significant risk of:
 - i. A financial liability; or
 - ii. A statutory liability; or
 - iii. An environmental or criminal liabilityand as such would be referred to the Combined Authority for agreement before such liabilities arise, and prior to the implementation of any such decision.
34. The outcome of the review of effectiveness has provided us with the necessary assurance that the only significant issues identified and giving rise to Referral Decisions related to the preparations for making of a Compulsory Purchase Order, the negotiations with the Thai Banks on purchase of the former SSI land and advance purchase of a portion of Tata land. The findings of the review will be reported to the Audit and Risk Committee and any actions required to improve it will be included in an improvement plan.
35. We propose over the coming year to take steps to implement the improvement plan to further enhance the Corporation's governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in the review and we will monitor their implementation and operation as part of the next annual review

By order of the Corporation

Signed:



J Bretherton

Chief Executive Officer

Date:

25 July 2018

Signed:



B Houchen

Mayor

Date

25 July 2018