

South Tees Development Corporation
7th Meeting
Wednesday 25 July 2018
TMOI, Teesside Management Offices, Redcar, TSI0 SQW

Minutes

Board members

Ben Houchen (BH)	Chair
Sue Jeffrey (SJ)	Vice Chair, Redcar & Cleveland Council, TVCA
Paul Booth (PB)	Chair of Tees Valley LEP
David Budd (DB)	Mayor of Middlesbrough
Sir Alan Cockshaw (SAC)	Shawbridge Management, (by telephone)
David Smith (DS)	Energy Networks Association
Anand Srinivasan (ASr)	Delphinus Advisory Ltd, (by telephone)
Jane Turner (JT)	Teesside University

Associate Members

Tom Smyth (TS)	BEIS, Interim Government representative
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Statutory Officers

Jonathan Bretherton (JBr)	STSC Ltd/STDC
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In Attendance

Colin Fyfe (CF)	Chair, STDC Audit Committee, present for items 8b and IIa, (by telephone)
John McNicholas (JM)	STDC
Andrew Nixon (AN)	Monitoring Officer/RCBC
Richard Lakey (RL)	STDC- Interim Head of Finance
Sue Houston (SH)	STDC - Secretariat
Andrea Whittingham (AW)	STDC - Senior Administrator

Apologies: Steve Gibson (SG), John Baker (JB), Bob Cuffe (BC), Philip Leech (PL), Graham Robb (GR), Amanda Skelton (ASK) and Julie Gilhespie (JG).

Item 1 - Welcome and introductions - Chair

1.1 The Chair welcomed everyone to the meeting.

Item 2 - Quorum

2.1 The meeting was quorate.

Item 3 - Declarations of conflicts of interest - Chair

3.1 None declared.



Item 4 - [REDACTED]

4.1 [REDACTED] The minutes of the previous meeting were endorsed.

4.2 [REDACTED] Updates on the actions from the previous meeting were all achieved or on the agenda today with the exception of [REDACTED]

Meeting 6

Action 4 - A note will be issued on the number of contracts awarded to local businesses - SH will follow up.

Meeting 5

Action 2 - A link to the CI planning application to be circulated - this will be shared when the application is made.

Action 5 - The draft final Procurement policy has been deferred to November as explained in the Annual Review and JMC paper on Programme Delivery.

Item 5 - [REDACTED] Chairs Update - Chair

5.1 [REDACTED] BH attended a meeting at the Treasury at the request of the Chancellor and Robert Jenrick to talk through the emerging business case on which some Board members attended a briefing last week. BH advised that it was helpful to be able to spend time setting the scene and increasing the Chancellor's understanding of the proposals. Questions focussed on technical issues including around the siting of projects, cheaper options, the timing of the investments etc. [REDACTED] The Chancellor asked about the role of markets in this and we advised that this will be covered in the business case.

5.2 [REDACTED] Robert Jenrick and Liz Truss are very supportive of STDC. However the Chancellor advised that the Prime Minister's recent announcements on £26 Billion to the NHS and an increase in Public Sector pay will have an impact on available funds elsewhere.

5.3 [REDACTED] There was significant interest in what would be in the business case. Clear pointers were received on focus including profile of phasing, how it will be delivered and over what time period. Discussion brought out questions on front loading and potential for use of government guarantee schemes. The Chancellor advised the Mayor to consider the Spending Review in Q1 next year rather than the Budget to give some breathing room in anticipation of a multi-year settlement.

5.4 [REDACTED] During discussion Board members raised points around issues including [REDACTED] The fact that responsibility for the site remains with HMT until a settlement is reached [REDACTED] Timing with regard to the Thal Barks deal is crucial [REDACTED] A backstop guarantee is required between government/AVCA/STDC so that the assets can be handed back if the funding tap is turned off [REDACTED] The aim is to exchange with the Banks in October and complete by April but noted JBI's caution over slow speed of progress by the Banks [REDACTED] There is a disconnect between HMT and other Government departments on wider issues such as private wires (where BEIS has rejected Sembcorp's proposal) and rumours around Liberty [REDACTED]

ESM

withdrawing due to "BEIS prevarication" (TS advised that there will be a further discussion with Sembcorp BH advised that STDC will meet with Liberty)

More collective action and communication is required between all parties involved locally but also with BEIS/HMT and especially between BEIS and HMT

Final point raised with HMT was in regard to the BEIS Finance team engaging with them on reprofiling of the STDC funds following HMT implication that they are comfortable with reprofiling

Robert Jennick is due to visit site in August

Action 1: Meeting to be arranged with Liberty to clarify future requirements and interest in STDC site. BH & BE

Action 2: Treasury requested BEIS finance team to get in touch with the Treasury Spending Team. TS

Item 6- CEO update - Paper 7.3 - Jonathan Bretherton

5.1 Thai Banks: Duff & Phelps are being appointed and Addleshaw are preparing their draft report on RBT. JBr spoke to Richard Porter, Head of Foreign Office in Bangkok. SSI had requested a meeting, held earlier today, and expressed concern over the state bank, KTB. SSI believe KTB Directors may prefer to be CPO'd. JBr advised that this information is hear-say but we have previously speculated that KTB's board could take this position in view of personal liability for decisions. SSI advised that a restructuring plan had been agreed with the banks to repay the debt over seven years. JBr advised that the suggested full repayment contradicted views expressed by senior bankers in TISCO and SGB but we are not party to this detail

JBr is in regular contact with FCO Bangkok and will ask officials to investigate KTB's position via the Bank of Thailand. JBr proposes to meet the banks again once their valuation is complete and the board has agreed how to respond to Addleshaw's review

5.2 One of the options to explore is simultaneously pursuing separate CPO's, with one exclusively for SSI and (not RBT). This would cost more than a single order to process and has potential to save time, but only if there are no objections. Lawyers are reviewing if any third parties have interests in the SSI land

5.3 British Steel/RBT - JBr advised that rather than buying 30 acres from them, STDC can work with them to find an investor such as the RBT power plant that was announced yesterday. Addleshaw & KPMG will report shortly on RBT and the best way to pursue this deal

5.4 PD Ports - STDC has had a series of meetings with PD Ports and, in response to a direct question on CPO of their land, PDP were advised that the RBT wharf and the dilapidated timber wharf at South Bank were provisionally included. BH confirmed that what are now weekly meetings with PD Ports are moving us to a conclusion

5.5 INEOS - JBr advised that there is no firm news other than speculation but understands we are still in the running. BH understands that the ask of BEIS is very high. BH is planning to meet with Jim Ratcliffe and Greg Clark. TS advised that BEIS has not had a final figure confirmed and are awaiting that and job numbers

Action 3: An update on INEOS will be obtained and reported to the Board. TS

5.6 Tees Aluminium - a meeting is to be held with them tomorrow. This is progressing well and a draft lease will be sent to them next week

6.7 Sirius - has approached JB to see if STDC would be sympathetic towards a temporary arrangement to move materials (polymalite) off highway from Wilton through to RBT in a fleet of trucks - using the private Sembcorp road and then internal roads. JB recommends support in principle and asked them to put their proposal forward for review. BH advised that he had spoken to Sirius, who are also in discussion with Government, and in his conversation with Greg Clark he has asked if anything could be done to progress the deal. BH also has a call scheduled with Robert Jenrik on Sirius.

6.8 Atlantic Superconnection Corporation (ASC) - JM confirmed that ASC came to a meeting on Monday and looked at the RBT site. It seems South Tees is the preferred site. However, they feel that there are currently too many imponderables on this site. It was agreed with ASC that PD Ports would be brought into this discussion with ASC for a 3-way dialogue to reduce risk.

6.9 Clean Gas - gave JB timescales on a call this morning. They regard it as absolutely vital that they gain government support and they are putting a bid in for that. They believe they are on track to make announcements this Autumn, subject to HMG support. In terms of timescale they expect to be reaching the gateway of £100m commitment from their shareholders by the middle of next year. They are going down the route of a bespoke CFD contract and expect a final investment decision by the end of 2020.

Item 7 - Programme Delivery Report - Paper 7.4 - John McNicholas

7.1 Master Plan - this is now being revised and it is proposed to bring this to the September meeting.

7.2 Ground investigation works - about to start shortly on the Grandelown Prairie site, as an advanced area of Tata land. Work will commence in RBT very shortly as they have given us approval to do ground investigations in their area.

7.3 Infrastructure - South Bank Roundabout access is on track to start in October. This will therefore confirm what was announced at the Master Plan launch that there would be construction jobs on site in 2018.

7.4 Velocys - proposal to manufacture jet fuel by recycling waste. They have come back and confirmed that they want to be on this site - they require 50 acres. They advise that they have British Airways and SITA behind them and DfT funding. This will be discussed at the B&I Committee.

7.5 Petrol - this will be discussed at the B&I Committee.

7.6 Portnex - BH advised that this South African company produce and export 3 to 4 million tonnes a year of coke and are looking for further opportunities and have expressed interest in Redcar Coke Ovens.

7.7 Tunnel arisings - A new proposition is being developed with Teesside University to work alongside STDC/Sirius on a process to stabilise these.

7.8 Project planning - 5 key projects - CFC, Transition, Thar Barks, Tata Land, RBT/Greybull. We are currently being supported by an external planner until a permanent appointment can be made. A series of dashboards were shared with the Board but these will need to be completely revised following discussion this week with HMT and the potential for 2 CPOs. Board members were advised that there will be regular updates to the Board.

9. Service Provider Appointments - IM to add a column on the value of the services.

Action 4: A column would be added to show the value of the Service Provider contracts for future Board papers. IM

Item 8 Finance

8a - Finance Report - Paper 7.5 - Richard Lake

8.1 RL introduced the Finance Report showing a current underspend of £500K on the operating costs ground investigations and the professional and consultancy fees and legal costs account for the major part of the costings. A re-forecast will be brought to the September meeting.

Action 5: Board to consider re-forecast at September meeting. RL

8.2 Business Case Board members were briefed on four options on the previous Friday. This needs to be revisited following feedback from the meeting with the Chancellor.

8b - Approval of annual accounts - Paper 7.6 - Colin Pyre & Richard Lake

8.3 This paper, taken at the start of the meeting, is seeking approval by the Board of the annual accounts for 2017/18. External Auditors, Mazars, have completed their report and the issue was discussed at by the WRC which endorsed the accounts for recommendation to the Board for approval. The accounts are straight forward based on early stage trading and Mazars are expected to issue a clean qualifying audit opinion that SDC provides appropriate value for money. There are some minor work in progress matters but Mazars see no issues. The Board endorsed the annual accounts.

8.4 An Annual Review was undertaken (Appendix C) and an Annual Governance Statement prepared. It was noted that the Governance Framework is forming but there is still work in progress to be completed. WRC were comfortable in recommending these to the Board. The Board noted the Annual Review and Annual Governance Statement.

Item 9 - Items for Approval

9a - CPO - Paper 7.7 - Jonathan Bretherton

9.1 Having provided an update in his CEO report on the current position with Thai Banks JBr advised that one option, if the suggestion that KTB may want the Corporation to go ahead with the CPO is true, is to run separate CPOs simultaneously. One could be made for the SSI land and one for the remaining land. This proposal is to be tested with Counsel. To be successful in the objective of saving time, it will be necessary to establish that there will be no objections to an SSI-only order. The position is being investigated to establish potential objectors' interests in the land. To preserve the possibility of undertaking separate CPOs JBr is now seeking an agreement from the Board to a variation on the original recommendation in the paper. He explained that land referencing was nearing completion and that negotiations are continuing with the various owners. The plan tabled was described. JBr explained that discrepancies had been identified in Tata's land, including apparent errors in the boundaries with British Steel through the Coil Plate Mill where a land swap may be the best solution. JBr further explained that most of British Steel's land would be excluded from the final plan(s) as would part of RBT now let to Sirius. PD Ports' wharves at South Bank and RBT were presently included, but negotiations were proceeding that may result in their removal. The Highfield tip will

also be excluded. STDC is also addressing a further error from Tata's sale of some of their land i.e. a private house in Warrenby, which has been removed from the draft order and STDC is proposing to remove from the STDC boundary.

9.2 JBr reminded the Board that the original recommendation in his paper was:

- a) authorises the making of the CPO to acquire the necessary land interests in the Site and, as necessary, the creation of new rights, pursuant to sections 201 and 207 of the Localism Act 2011 ("2011 Act") and the Acquisition of Land Act 1981 ("1981 Act") to secure the regeneration of the Area by facilitating the regeneration or development of the Site;
- b) agrees to authorise the Chief Executive to take all necessary steps to make the CPO and thereafter to continue the process for the confirmation and implementation of the CPO; and
- c) agrees to the submission of the CPO to TVCA for consent to submit the CPO, once made, to the Secretary of State for confirmation pursuant to section 207(3) of the 2011 Act.

The variation would be (revised text in red):

- d) authorises the making of **one or more CPOs** to acquire the necessary land interests in the Site and, as necessary, the creation of new rights, pursuant to sections 201 and 207 of the Localism Act 2011 ("2011 Act") and the Acquisition of Land Act 1981 ("1981 Act") to secure the regeneration of the Area by facilitating the regeneration or development of the Site;
- e) agrees to authorise the Chief Executive to take all necessary steps to make **one or more CPOs** and thereafter to continue the process for the confirmation and implementation of the CPO(s); and
- f) agrees to the submission of the CPO (s) to TVCA for consent to submit the CPO(s), once made, to the Secretary of State for confirmation pursuant to section 207(3) of the 2011 Act.

9.3 Following discussion, including the need to understand the cost of the variation (which will be reported, once known) and ensuring any technical issues were in place, **the Board supported this variation.**

Action 6: Board to be advised of the additional costs for running 2 CPOs if this is the preferred way forward.

JBr

9b - [REDACTED]

b) To note the level of enabling works investment required for INEOS and Tees Aluminium (or others);

and

c) To approve the proposal to speculatively develop an enabling works scheme within a budget of up to £200K of consultancy fees for the INEOS and Tees Aluminium sites, ready for roll out should either or both come to South Tees.

The Board noted points a and b and approved the enabling works scheme with a budget of up to £200K.

9c - Recruitment and Resourcing - Paper 7.9 - John McNicholas

9.5 The purpose of this paper is to bring the Board up to date on the current level of resource required. STDC has an ever increasing and complex workload and there is a significant risk on delivery and reputation. JM highlighted the need for 13 near term hires, bringing several planned posts forward. The second proposal is to fill some positions with temporary hires. The Board noted that this is affordable within the budget with an additional financial ask for 2018/2019, is £327K, that is a 29% uplift on forecast, and for 2019/2020 it is £341K. JM confirmed that STDC has 11 FTE's at the moment. STDC's resource plan would take us initially to 24 and over time to 38 but JM feels this may need to be more like 45 in 3 years. As an example of the pressures on the current team it was noted that STDC has two people in the procurement team and there are currently 35 procurements to deliver.

9.6 During discussion Board members noted that only one of the new posts required endorsement by S&RC however it was agreed that JT and JB would meet with JM to be updated on the overall structure. Meanwhile they noted the additional requirements for permanent and temporary staff and approved the financial proposals. The revisions to the resource budget would be reflected in the Finance Report at the September meeting.

Action 7: JM/JT/JB to meet to discuss resource support. JM

9d - Financial approvals - Richard Lakey

9.7 There have been no financial approvals to bring to the Boards attention.

Item 10- Governance Approvals- Paper 7.11- Sue Houston

10.1 SH presented the Terms of Reference for the Planning & Infrastructure Committee (P&IC). Now that Master Plan work is mainly complete, there is a change in direction for what has now become the Planning & Infrastructure Committee (as previously endorsed by the Board). A revised set of Terms of Reference, proposed by the P&IC, highlights the areas of work now to be covered and endorsement by the Board was sought. The Board approved the revised Terms of Reference.

10.2 Within the STDC Constitution there is reference to the quorum for Board meetings, Clause 18, which contains an error in the wording. SH proposed a revision, "one third of the members in office", rather than

one third percent'. The Board approved this amendment which would be made by AN as the Monitoring Officer.

Action 8: Amendment to be made to Clause 18 of the Constitution regarding the quorum. AN

Item 11 - Committee & Group Reports

11a - Audit & Risk - Paper 7.12 - Colin Fyfe

1.1 In this report, covered at the start of the meeting, CF advised that a number of Audit & Risk Committee meetings, the last one being yesterday, have been held. The Board noted that the Risk Management Framework is a work in progress. Whilst the Framework exists and recognising that the Corporation is becoming more complex there is a need to strengthen the focus and the time spent by management on it and the skills around risk in the Corporation. AR&C are examining the 5 current key risks and undertook a deep dive into CPO at the early July AR&C. A&RC raised concerns around identifying risks through project planning and clear project timelines as well as the level of resources in STDC at the present time.

1.2 Internal Audit Tender - 5 firms invited to tender for the current 3-year internal audit services for the Corporation. Three submissions were received. (Hartlepool & Stockton Council decided not to tender) from Baldwins, RSM and Tees Valley Audit Services. A&RC determined that RSM are the best candidate and this was noted by the Board.

1.3 The Board further noted that a control and governance review had been completed by Tees Valley Audit Services indicating a Moderate Control Environment. This was to be expected and further controls and governance measures will be implemented over the coming year.

11b - Business & Innovation Committee - Paper 7.13 - Paul Booth

1.4 As noted within the paper there are more closed projects and the number of potential investors continues to grow. The Board noted the additional projects considered by B & I and those that the Committee considered to be closed.

11c - Planning & Infrastructure Group - John McNicholas

1.5 The Board noted the decision by P & I to establish a Task and Finish group for design codes, design standards, etc for the site and a separate group to draft a developer contributions policy (Section 106) for STDC. RCBC Planning officers will join the second group as members.

1.6 The Board noted that high quality CGI's were being prepared as part of the marketing materials in preparation for the planned marketing launch in Q1 2019.

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11.7. Search & Remuneration Committee - Jane Turner

11.7. Although there have been no recent meetings, JT has had discussions on a workforce plan, salary scales and salary structures.

Item 12- AOB

12.1 Private Wires - David Smith - a note has been prepared that may assist the board in considering this subject

Action 8: DS note on private wires to be shared with the Board. SH

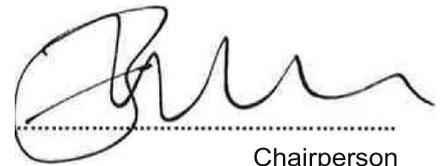
12.2 Given the importance of energy on the site and to potential investors it was agreed that an Energy Task & Finish Group should be established, chaired by DS, reporting to the Planning & Infrastructure Committee.

Action 9: An Energy Task & Finish Group, to be established within the P&I, chaired by DS. DS

12.3 SH is STDC Data Protection Officer and as such is responsible for advising on GDPR. To that end SH circulated an Advisory Note to Board members and highlighted the key points around the responsibilities, in respect of personal data, of STDC as the Data Controller and those of individuals in respect of personal information they hold/access within STDC. This Advisory Note will be shared with the papers from this meeting to enable those not in attendance to have access to the advice.

Action 10: Advisory Note on GDPR to be circulated to the Board for information. SH

The meeting closed at 16.30



Chairperson

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