Hartlepool Development Corporation Board

Date: Monday 19th February 2024 at 4pm
Venue: Hartlepool Civic Centre

Membership:
Mayor Ben Houchen (Tees Valley Mayor)
Sarah Bedford (Independent member)
Simon Corbett (Independent member)
Brenda McLeish (Independent member)
Lisa Molloy (Independent member)
Shane Moore (Independent member)
Steve Turner (Independent member)
Cllr Mike Young (Executive Member for Hartlepool BC)

Associate Membership:

Julie Gilhespie (Group Chief Executive TVCA)
Denise McGuckin (MD, Hartlepool Borough Council)

Independent Adviser

Mark Webster (Chief Constable, Cleveland Police)

AGENDA

1. **Apologies for Absence**

2. **Declarations of Interest**
Attached

3. **Minutes of previous meeting**
Attached

4. **Chair's Update**
Verbal

5. **Chief Executive's Update**
Attached

6. **Governance & Election Period Update**
Attached

7. **Planning Update**
Attached

8. Budget 2024/25 & Medium Term Financial Plan
Attached

9. Treasury Management Strategy
Attached

10. Middleton Grange Shopping Centre
Appendices 3,4, 7, 7A and 7B to this report is not for publication under the terms of paragraph 3 of schedule 12a Local Government Act 1972

11 Pipeline Update
The appendix to this report is not for publication under the terms of paragraph 3 of schedule 12a Local Government Act 1972

12. Confidential Investment Opportunity
Under the terms of paragraph 3 of schedule 12a Local Government Act 1972, this report is not for publication

13. Date and Time of Future Meeting
TBC

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: tvcagovernance@teesvalley-ca.gov.uk

Hartlepool 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 2).

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.

HARTLEPOOL DEVELOPMENT CORPORATION BOARD

28th November 2023 @ 4pm
Hartlepool Civic Centre

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

ATTENDEES	
Members	
Mayor Ben Houchen (Chair)	Tees Valley Mayor
Steve Turner	Independent Member
Shane Moore	Independent Member
Lisa Molloy	Independent Member
Simon Corbett	Independent Member
Sarah Bedford	Independent Member
Cllr Mike Young	Executive Member for Hartlepool BC
Associate Members	
Mark Webster	Independent Adviser
Denise McGuckin	Managing Director of Hartlepool DC
Julie Gilhespie	Associate Member
Officers and Others in Attendance	
Gary Macdonald	Group Director of Finance & Resources, TVCA
Emma Simson	Interim Monitoring Officer, TVCA
Sarah Brackenborough	Head of Operations, TVCA
Helen Kemp	Head of Planning, TVCA
Charlie Kemp	Head of Creative Place, TVCA
Chris Ives	R3 Consultants
Elizabeth Hutchinson	Project Development Manager, TVCA
Justine Matchett	Lichfields
Apologies	
Brenda McLeish	Independent Member

HDC 13/23	**CHAIRS WELCOME & INTRODUCTION** The Chair welcomed everyone to the meeting of the Hartlepool Development Corporation Board.
HDC 14/23	**APOLOGIES FOR ABSENCE** Apologies for absence were submitted as detailed above.
HDC 15/23	**DECLARATIONS OF INTEREST** Hartlepool Borough Council representatives (Shane Moore, Mike Young, Denise McGuckin) submitted Declarations of Interest due to Hartlepool Borough Council being the freeholder of the Middleton Grange Shopping Centre site.
HDC 16/23	**MINUTES OF PREVIOUS MEETING** The Board reviewed the minutes of the meeting held on 14th August, 2023. **RESOLVED** that the minutes of the meeting held on 14th August were agreed as an accurate record.
HDC 17/25	**CHAIR'S UPDATE.** The Chair advised the Board that he had nothing to add that is not covered in the remainder of the agenda. **RESOLVED** that the Hartlepool Development Corporation Board noted the update.
HDC 18/23	**CHIEF EXECUTIVES UPDATE** The Board were provided an update on key activities not covered elsewhere on the agenda. The update included:- • the Independent Review; • Tees Valley Investment Zones; • A Forward Plan. **RESOLVED** that the Hartlepool Development Corporation Board noted the update.
HDC 19/23	**GOVERNANCE AND APPOINTMENTS - AUDIT** ***Under the terms of paragraphs 1 & 2 of schedule 12a of the Local Government Act 1972, the appendix to this report is not for publication.*** Board members were provided an update on and the proposals in relation to the Development Corporation's Audit & Governance Committee. They were also invited to approve the proposed appointments to the development Corporation's Audit & Governance Committee and make recommendations to Cabinet once approved.

	Board members were then invited note an update on the appointment of Auditors. **RESOLVED** that the Hartlepool Development Corporation Board approved the recommendations in the report.
HDC 20/23	**PLANNING UPDATE** The Board were advised that, in accordance with the Scheme of Delegation, several planning applications have been determined by the Head of Planning through delegated authority. **RESOLVED** that the Hartlepool Development Corporation Board noted the updated position of planning service delivery and the status of planning applications submitted for consideration.
HDC 21/23	**HDC DESIGN CODE** The Board were provided a report which updated on the recent public consultation on the draft Hartlepool Development Corporation (HDC) Design Code. The Board were advised that, following the consultation process, several comments were received and the draft Design Code has subsequently been amended to reflect these comments. Mark Webster (MW) asked, regarding the secure by design, whether there is a subsidiary board that measure the proposals and bids and should there be a policing representative on that board. Justine Matchett (JM) replied that there are frequent meetings in place. Denise McGuckin (DM) added that the police will be consulted as a statutory stakeholder. **RESOLVED** that the Hartlepool Development Corporation Board adopts the updated Design Code.
HDC 22/23	**BRIEFING ON MIDDLETON GRANGE SHOPPING CENTRE** The Board were provided a briefing paper which detailed the discussion surrounding the future of the Middleton Grange Shopping Centre. As the details of the proposed acquisition are commercially sensitive, it was not discussed during this section of the meeting. **RESOLVED** that the Hartlepool Development Corporation Board note the briefing paper.
Under the terms of paragraph 3 of schedule 12a of the Local Government Act, 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. The proposal was made by Shane Moore, seconded by Steve Turner.	
HDC 23/23	**PIPELINE UPDATE REPORT** The Board were presented a report that provided an update on projects in the Masterplan pipeline for Hartlepool Development Corporation.

	RESOLVED that the Hartlepool Development Corporation Board noted the update.
HDC 24/23	**MIDDLETON GRANGE SHOPPING CENTRE** The Board were provided an update on the importance of the Middleton Grange Shopping Centre asset within the regeneration objectives of the area. The Board was also provided with detail of the legal and commercial due diligence carried out, the recommendation to purchase the asset and the next steps following purchase. **RESOLVED** that the Hartlepool Development Corporation Board approved the recommendations in the report.
	DATE OF NEXT MEETING Monday 22nd January 2024.

AGENDA ITEM 5
REPORT TO THE HDC BOARD

19 FEBRUARY 2024

REPORT OF GROUP CHIEF EXECUTIVE

CHIEF EXECUTIVE'S UPDATE

SUMMARY

This report provides an update to the Board on key activity not covered elsewhere on the agenda.

RECOMMENDATIONS

It is recommended that the Hartlepool Development Corporation Board note the update.

DETAIL

Tees Valley Review Report

1. The Tees Valley Review was commissioned by the Secretary of State for the Department for Levelling Up, Homes and Communities on 7 June 2023 following allegations about Teesworks being made by the press and in the Commons.

2. The Secretary of State set out the scope for the review in the Terms of Reference (Appendix 1). A Review Panel was convened consisting of experienced public sector officials:

    - Angie Ridgwell, Chief Executive at Lancashire County Council (Chair of the Panel);
    - Richard Paver, Former Treasurer, Greater Manchester Combined Authority;
    - Quentin Baker, Director of Law and Governance at Hertfordshire County Council.

3. The Tees Valley Review panel has now concluded its work and has reported its findings to the Secretary of State on 29 January 2024. A full copy of the review and associated recommendations is attached at Appendix 2.

4. The Secretary of State has also written to the Tees Valley Mayor (Appendix 3) requesting a response to the report and the recommendations by 8 March 2024.

5. Tees Valley Combined Authority (TVCA) has set out a plan for responding to the Secretary of State, to detail its proposed response to the Tees Valley Review panel's recommendations. This incorporates extensive work with local authority representatives. The key stages are set out below:

    - Establish a cross-authority working group, including representation from all five constituent authorities (Chief Executives, Monitoring Officers and a S151 Officer) to consider and approve the response to report recommendations.

    - Appoint a South Tees Development Corporation (STDC) Board sponsor for the working group.

    - Provide a formal response to Secretary of State letter by 8 March 2024 to confirm the initial approach to recommendations.

    - Undertake a comprehensive review of the recommendations.

    - Submit recommended actions to TVCA Cabinet Annual General Meeting (AGM) 2024.

    - Submit recommended actions to STDC and TVCA Audit & Governance committees as well as TVCA Overview and Scrutiny committee for consideration.

6. As noted above, recommended actions will be taken to the TVCA Cabinet AGM. Any recommendations that effect Hartlepool Development Corporation as a result, will be proposed to HDC Board for adoption, for consistency across development corporations.

7. It should be noted that some of the recommendations in the Tees Valley Review report have identified potential deficiencies in legislation which requires clarification from HM Government. Therefore, these recommendations fall outside of the remit of the working group referred to in par 5 above.

8. The Tees Valley Review report is also currently being reviewed by External Auditors to inform their Audit Completion work for the 2021-22 financial year.

9. Following publication of the report we are now discussing with government the process for the finalisation of the asset transfer process for the Hartlepool Development Corporation.

Tees Valley Investment Zone (TVIZ)

10. Since the last update to HDC Board on TVIZ progress, the Chancellor announced an extension to Investment Zones at the Autumn Statement. The total funding available to each IZ is now £160m over 10 years (commencing April 2024), with an expectation of 60% match coming from private sector, third sector and local government. This funding can be used flexibly, including a five-

year tax offer. Places can also receive 100% of the business rates growth in designated sites above an agreed baseline for 25 years.

11. The government published the Investment Zones (IZ) policy prospectus on 15th March 2023. Tees Valley Combined Authority (TVCA) has been identified as one of eight areas (in England) to work with government to co-develop proposals for a Tees Valley Investment Zone (TVIZ).

12. The TVIZ has been proposed by the Tees Valley Mayor and is being developed by TVCA. TVCA is working closely with Teesside University (as significant research institution/co-signatory) on the Tees Valley Investment Zone.

13. IZs are aimed at catalysing a small number of high potential clusters in areas in need of levelling up to boost productivity and growth. They will support the development and growth of clusters to increase local innovation capacity, attract investment and strengthen the private sector.

14. TVCA and TU continue to work with the Department for Levelling Up, Homes and Communities to co-develop the TVIZ. This is structured around a series of 'gateways' broadly covering vision, sector and economic geography, interventions, governance and delivery.

15. The TVIZ is focused on digital and technology as our priority sector, with identified high growth clusters in Middlesbrough, Hartlepool and Teesside International Airport.

16. TVCA is seeking fully flexible spend of the £160m funding plus Business Rate Retention for dedicated sites. Retained Business Rates will be over and above the £160m. Interventions are being developed from the full policy menu which includes infrastructure, skills, business support, planning and R&D.

17. Co-development of the TVIZ with government continues to move at pace and we are broadly in line with other areas in terms of progress against the 'gateways'. Following publication of the report we are now discussing with government the process for signing off the Tees Valley Investment Zone.

Production Village

18. Building on the work of HBC and their successful Levelling Up Fund bid to develop the Production Village around the Northern Studios. Consultants, Time + Space, were commissioned to produce an Action Plan for this Focus Area. This is now complete, and it presents evidence-based recommendations and a costed work plan to enhance current facilities at and surrounding the Northern studios responding to industry and commercial needs in both the short and medium term.

19. Work is ongoing with key stakeholders to consider development and delivery options and investment requirements.

FINANCIAL IMPLICATIONS

20. This report is an update for information only and therefore has no direct financial implications.

LEGAL IMPLICATIONS

21. This update is for information only and therefore has no direct legal implications.

RISK ASSESSMENT

22. This update is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

CONSULTATION & COMMUNICATION

23. This update is for information only therefore no further consultation and communication is necessary.

EQUALITY & DIVERSITY

24. This update is for information only therefore it does not impact on groups of people with protected characteristics.

Name of Contact Officer: Julie Gilhespie
Post Title: Group Chief Executive Officer
Email Address: julie.gilhespie@teesvalley-ca.gov.uk

Department for Levelling Up, Housing & Communities

Correspondence

Terms of reference

Published 7 June 2023

Applies to England

This publication is available at https://www.gov.uk/government/publications/independent-review-teesworks-joint-venture-reviewer-appointment-letters-and-terms-of-reference/terms-of-reference

Terms of reference: Independent Review into the Tees Valley Combined Authority's oversight of the South Tees Development Corporation and Teesworks Joint Venture

On 24 May 2023, the Secretary of State for Levelling Up, Housing and Communities wrote to Ben Houchen, Tees Valley Mayor, to confirm that he had taken the exceptional decision to support the commissioning of an independent review of the South Tees Development Corporation (STDC) and Teesworks Joint Venture. This followed allegations of corruption, wrongdoing and illegality around the operations of Teesworks and a letter from Mayor Houchen to the Secretary of State on 16 May seeking an independent review of the matter by a 'relevant body', reflecting the Mayor's concern that continued allegations would undermine confidence in the site.

The department has seen no evidence of corruption, wrongdoing, or illegality, but recognises that the continued allegations pose a risk to the government's and the combined authority's shared ambitions to deliver jobs and economic growth in Teesside. The review will include consideration of these specific allegations made in relation to the Joint Venture, and ascertaining the facts is the primary basis for the Secretary of State seeking this independent review.

As part of that process, the review will focus on the following themes, reflecting the government's existing approach for assurance reviews of local authorities and general principles of economy, efficiency and effectiveness:

- Governance - e.g. sense of strategic vision and direction; adequate internal processes and scrutiny; key senior posts filled with permanent appointments; effectiveness and transparency of decision making and external scrutiny arrangements (including independent audit); relationships between organisational leadership and officers; openness to challenge; focus on improvement.
- Finance - e.g. quality and robustness of financial management and accounting, arrangements, ability to deliver value for money with public money; effective management of financial and commercial risks.

In view of the serious allegations of corruption, wrongdoing and illegality that have been made in relation to the Teesworks Joint Venture, the government has asked the review to specifically to respond on that issue. The following specific questions/issues have been identified for the review to explore:

1. An assessment of the governance arrangements at the STDC, including how decisions are made and the transparency of those decisions.

2. An assessment of the arrangements through which the Tees Valley Combined Authority (TVCA) meets it responsibilities for effective and appropriate oversight of the activity of the STDC (the Mayoral Development Corporation responsible for the Teesworks site) and the Teesworks Joint Venture (the public-private partnership between the STDC and its partners).

3. An assessment of the processes, systems and delivery mechanism in place to deliver the expected value and benefits of the Teesworks Joint Venture.

4. An assessment of the arrangements and capacity in place to ensure that decision making across the TVCA, including STDC and Teesworks Ltd (the Joint Venture vehicle), is evidence-based (where practical), takes full consideration of value for money, and reflects an appropriate balance of risk and reward between the public and private sector.

5. An assessment of the level of confidence by which the government have that key decisions to date in relation to the Teesworks Joint Venture have been evidence-based and taken appropriate consideration of value for money.

6. An assessment of the robustness of local systems and operations in place to guard against any alleged wrongdoing, in particular in relation to:

- The sale of the site now occupied by SeAH Wind.
- The change in the Teesworks ownership structure in August 2021 from 50% public to 90% private.
- The extent to which correct procurement rules have been followed in relation to the site and any disposal of publicly-owned land or assets.
- The sale of land at the site to private sector partners.
- Potential conflicts of interest between various parties, and contractors carrying out remediation or other works at the site.
- The evidence of investment from private sector partners in the context of significant public investment in remediation of the site.
- The adequacy of transparency and accountability underpinning key decisions, including ongoing engagement with and reporting to His Majesty's Government (HMG).

7. An assessment of the effectiveness of arrangements for external scrutiny of the STDC and Teesworks Joint Venture (including Teesworks Ltd), including independent audit, and of the relevant parties' response to any findings or recommendations from that process.

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Tees Valley Review

23rd January 2024

Panel Members: Angie Ridgwell (Chair)

Quentin Baker

Richard Paver

1. Executive Summary

1.1. Teesworks is the local brand that represents the project to remediate and redevelop the former Redcar steelworks following the liquidation of the then steelworks owner SSI (Sahaviriya Steel Industries UK Ltd) in 2015. The Tees Valley Combined Authority (TVCA) requested that the Secretary of State create the South Tees Development Corporation (STDC) for the purposes of managing and keeping safe the site and, if possible, its redevelopment. This was granted on 1st August 2017.

1.2. Teesworks is one of, if not the largest, brownfield remediation projects in Europe. To date £560m of resources, including £246m in government grants and £257m prudential borrowing. This is planned for investment in the site by end of 2024/25 and has delivered[1]:

- 17% of the land under contract with a further 40% at Heads of Terms
- 940 construction jobs plus a further 1,950 recently announced
- 2,295 direct and 3,890 indirect jobs created once sites operational
- 450 acres of land remediated or in remediation
- £1.3bn business rate income potential over the next 40 years with a further £1.4bn at Heads of Terms
- A new 450m Quay

A further £238m investment including £40m for Net Zero Teeside, is potentially to be incurred by STDC utilising prudential borrowing. Prudential borrowings are due to be repaid over the next 50 years from a combination of retained business rates, Teesworks Limited (TWL) profits from operating the Quay, and contractual commitments from TWL.

1.3. Delivery has been supported by a Joint Venture Company, Teesworks Limited (TWL), between STDC and two local businessmen: Chris Musgrave and Martin Corney.

1.4. There are many voices which articulate a positive view of the project, highlighting the work that has been done and the clear evidence of the achievements which have been made in regenerating an historic part of the UK's industrial heritage, the final demise of which, in 2015/16 had devastating results for a community that had been badly affected by the changing global patterns of industrial production. A significant amount of regeneration of the area has occurred and new businesses are moving in bringing jobs and other collateral benefits for the local area.

1.5. Consequently, there is good support for the redevelopment of the site. However, there has also been growing concern about the operations and delivery of the Teesworks project with allegations of corruption, wrongdoing, and illegality, which is impacting confidence in the project and putting future private sector investment at risk.

1.6. The Secretary of State of the Department for Levelling Up, Homes and Communities (DLUHC) commissioned a review into these allegations. The terms of reference for the review are attached at Appendix 1. They can also be found on the government website at https://www.gov.uk/government/collections/independent-review-teesworks-joint-venture.

1.7. The review Panel has now completed its work within the scope of the terms of reference. Based on the information shared with the Panel, we have found no evidence to support allegations of corruption or illegality. However, there are issues of governance and transparency that need to be addressed and a number of decisions taken by the bodies

[1] Quarterly BEIS/MHCLG report April-June 2023 and management evidence received 13/11/23

involved do not meet the standards expected when managing public funds. The Panel have therefore concluded that the systems of governance and finance in place within TVCA and STDC at present do not include the expected sufficiency of transparency and oversight across the system to evidence value for money.

1.8. It is important that local leaders work together to secure the much needed regeneration of the site. Securing permanent local jobs, economic growth and opportunity, as well as increased tax income for the local area that can be reinvested in local services and continued growth is a priority and shared endeavour. To this end we have made a number of recommendations for the Secretary of State, TVCA and STDC to consider.

2. Recommendations

Recommendation 1 – TVCA and STDC should develop a full understanding of the liabilities of both STDC and TVCA in relation to the activities of STDC and TWL and ensure appropriate management arrangements are in place to manage and mitigate the consequential financial risks to both organisations and the constituent authorities.

Recommendation 2 – TVCA and STDC should jointly agree the use of retained business rates over the 25 year period in support of both TVCA and STDC risks and liabilities and consider the funding strategy for liabilities that will exist thereafter. Such agreement to be agreed by TVCA Cabinet and STDC Board.

Recommendation 3 – STDC update and maintain its financial model to reflect its current business model including identified retained liabilities and business rates forecasts in line with recommendations 1 and 2 above.

Recommendation 4 - Government should clarify its proposals for landfill tax in terms of public sector land remediation, including timescales for legislation, as currently eligibility for the scheme and STDC's liability for tax are an ongoing, and increasing risk.

Recommendation 5 – DLUHC to clarify the regulations in respect of TVCA and STDC (and if necessary other combined authorities and development corporations) including oversight, reserve matters and consents as well as stranded liabilities.

Recommendation 6 –TVCA Cabinet review its current delegations and directions to STDC to ensure it meets its statutory obligations, including appropriate oversight by Overview and Scrutiny Committees, to enable value for money to be delivered and evidenced through effective scrutiny of significant decisions.

Recommendation 7 – TVCA and STDC invite the Centre for Governance & Scrutiny to undertake a review of the O&S function and produce recommendations as to improving it in line with the statutory guidance and new English Devolution and Accountability Framework 2023.

Recommendation 8 –TVCA and STDC should modify their constitutions to reflect any changes in delegations and directions that may arise from recommendations.

Recommendation 9 –TVCA should amend its constitution to give effect to TVCA's duty to keep STDC's existence under review, to provide guidance to STDC, and to assess its own financial risks relating to STDC. We would recommend this be at least annually.

Recommendation 10 – TVCA and STDC agree a protocol and code of conduct for shared statutory officers to ensure the boundaries between the two organisations are maintained, that advice is given in the best interests of the specific organisation, and that any and all communication is clear in terms of the organisation being represented.

Recommendation 11 – TVCA review the group statutory officer roles and consider, where allowable in law, whether having different officers, perhaps drawn from the Constituent Authorities, would provide a greater degree of checks and balance.

Recommendation 12 – TVCA and STDC review their Financial Regulations and schemes of delegation to satisfy themselves that control is enacted at the appropriate level to facilitate the value for money test and ensure the STDC Board and TVCA's duty of oversight, is met as well as provide appropriate protections for officers. This should include the recording and reporting to STDC Board/TVCA Cabinet of key decisions taken under delegation.

Recommendation 13 – TVCA should, in consultation with monitoring officers of Constituent Authorities, review and revise the local governance framework to ensure that greater degree of oversight over STDC and TWL is afforded to TVCA cabinet members and the Constituent Authority statutory officers.

Recommendation 14 – Constituent members should ensure they seek advice and guidance from their own statutory officers ahead of TVCA Cabinet meetings to ensure they get an independent view to inform their strategic decision making.

Recommendation 15 – Statutory officers of constituent members should ensure they inform themselves of the statutory context of STDC/TVCA and maintain an active and inquisitive engagement with both organisations to ensure they can effectively provide independent advice to their own organisations and fulfil their statutory obligations to them.

Recommendation 16 – Review the makeup of the Board, including the Chair and role of associate members, to ensure relevant expertise and knowledge is in place to support the Mayor in setting and delivering his strategic ambitions, under the current phase of delivery.

Recommendation 17 – Ensure the Board are provided with comprehensive and accurate reports, supported by appropriate advice in a timely fashion so they can properly consider and debate the decisions to be made.

Recommendation 18 – Any oral advice and supporting presentations should be made publicly available (where possible) to support the decision record.

Recommendation 19 – The monitoring officer should ensure training for all STDC /TVCA members and officers takes place on conflicts of interest and ensure proper declarations are made and individuals recuse themselves appropriately in meetings.

Recommendation 20 – A robust and comprehensive briefing arrangement be put in place between statutory officers of TVCA/STDC and the constituent members to ensure there is a collective and considered understanding of the opportunities and implications of proposed decisions.

Recommendation 21 – STDC should articulate and document the agreed arrangements with the JV partners in a single document.

Recommendation 22 - STDC should explore opportunities to influence when and how land is drawn down and developed and if possible, renegotiate a better settlement for taxpayers under the JV agreement.

Recommendation 23 – Once a final position is agreed with the JV Partners this should be formally shared with the STDC Board and TVCA Cabinet for approval.

Recommendation 24 – All STDC recruitment be subject to fair, open, and transparent processes.

Recommendation 25 – The STDC executive regularly review operations on site to ensure JV Partner activity is not incurring risks and liabilities for STDC.

Recommendation 26 – Monitoring Officer to review the approach to confidentiality and the handling of FoI to ensure that the public interest test is properly understood and applied. Devise a local protocol to clarify what information will be deemed confidential and on what basis and provide training for staff. This should include guidance on the disclosure of confidential information to TVCA Cabinet, Overview & Scrutiny and TVCA/STDC Audit Members who should have enhanced rights of access.

Recommendation 27 – Director of Finance and Resources review internal audit arrangements and provide advice to both TVCA and STDC Audit Committees as to how these can be strengthened. Consideration should be given to securing CIPFA or other external support to provide independent assessment of proposed changes.

Recommendations 28 – Director of Finance and Resources work with the external auditor to support the completion of their value for money arrangements work for 2021/22, including any additional risk-based work that may arise in light of the Panel's findings. The progress of this work should be reported to TVCA and STDC Audit Committees

3. Background

3.1. The **Tees Valley Combined Authority** (**TVCA**) was established on 1st April 2016 as a combined authority covering the geographical boundaries of the 5 local authorities in the area:

- Darlington Borough Council
- Hartlepool Borough Council
- Middlesborough Council
- Redcar and Cleveland Borough Council (R&C)
- Stockton on Tees Borough Council

3.2. The liquidation of the SSI steelworks in 2015 left a hazard that presented a real danger to human and environmental health and gave rise to around 3,000 redundancies as well as wider supply chain impacts. The Official Receiver took on responsibility for the orderly wind down, safety and security of the site on top of his normal duties of releasing any value for creditors. A Government funded task force supported impacted workers, supply chain company diversification and private sector stimulus.

3.3. An independent review by Lord Heseltine was commissioned in Autumn 2015 and his report ‘Tees Valley: Opportunity Unlimited’ was published in June 2016. His key recommendation for the future of the site development is in 4.6.10:

“Recommendation. That the South Tees Development Corporation is established as quickly as possible, and that Government and local partners put the relevant resource in place in order to realise this goal. Also, that Government begins engagement with the Combined Authority on how and when ownership and management of the SSI site can be moved to the South Tees Development Corporation, including with relevant Her Majesty’s Treasury funding agreements, and the agreement of the Combined Authority.”

3.4. A shadow Mayoral Development Corporation (MDC) was set up by the Government pending mayoral elections in May 2017. The Board was made up of a number of professionals with relevant experience and chaired by the Leader of Redcar and Cleveland Borough Council (R&C).

3.5. The first Tees Valley Mayor, Ben Houchen, was elected in May 2017. He formally proposed the creation of the MDC and STDC was established in August 2017. The Mayor established a new board, with himself as chair, largely taking on the arrangements put in place for the shadow board.

3.6. In parallel government formed the South Tees Site Company (STSC) as an ‘intermediate body’. Its role was to continue to manage the safety and security of the site, bringing the costs down to around £18m per year, by removing the most unsafe and dangerous structures.

3.7. The key initial priorities for STDC were to:
- Develop a masterplan for the site.
- Secure ownership of the site.
- Ensure sufficient funding to manage the safety and security of the site, and
- develop the site potential to create new jobs.

3.8. Very little of the site was in public ownership. The ex-SSI holdings had a charge by three Thai banks, and most of the rest of the land was owned by Tata Steel. The preference was to secure land through negotiation and the Tata land was acquired for a payment of £12m. However, the Thai banks refused to agree the sale of their interests and a Compulsory Purchase Order (CPO) was considered necessary.

3.9. The CPO process was not without risk, and an option secured on 70 acres of Redcar Bulk Terminal (RBT) land by local developers Chris Musgrave and Martin Corney was used as leverage to remove objections to the CPO raised by the three Thai banks. Following a Public Inquiry the CPO was approved by the Public Inspector without modification in April 2020.

3.10. The creation of the 50/50 joint venture partnership between STDC and Musgrave and Corney (the JV Partners) was part of the CPO negotiations and was agreed by the STDC Board in February 2020, with the TVCA Cabinet delegating powers to STDC to enable them to complete the transaction in March 2020.

3.11. Government funding was limited to the safety and security of the site (keepsafe functions), the establishment of STDC and limited land regeneration. There were no funded plans in place to remove all the redundant assets or start the regeneration programme. TVCA developed a business case for this, which was signed off by the Government (the Department for Business, Energy, and Industrial Strategy – BEIS) in July 2020.

3.12. The business case was based on removing the potential long-term liability by transferring the site and STSC to local control and ownership. It also proposed limited redevelopment on part of the site, with receipts from partial sales/leases funding future remediation over a 35-year time scale. It was expected that this would generate up to 20,000 new jobs by 2035. The business case was clear that the public sector funding would not be sufficient to complete the remediation of the site and that a private sector partner would be required, referencing the then recently established Joint Venture Partnership Teesworks Limited (TWL).

3.13. After the announcement by Government in March 2021 of the Teesside Freeport, including 2 tax sites within the STDC area, and following his re-election in May, the Mayor made clear his intention to accelerate development on the site to maximise the time limited tax incentives available. The proposal indicated that an injection of new private sector capital and transfer of risk from the public to the private sector would be required to achieve this. Consequently, the JV Partnership was renegotiated and in August 2021 the STDC Board agreed to a 90/10 split in favour of the JV Partners.

3.14. In March 2023 in response to expected legislation to enable public sector bodies to secure landfill tax grants for remediation schemes that would not otherwise be viable, STDC Board agreed a new operating model whereby STDC will undertake the work funded by prudential borrowing and subsequently be reimbursed by TWL. The legislation remains outstanding and as such, STDC hold the risk for any landfill tax costs not met through grant.

4. Review methodology and constraints

4.1. Through this report we set out the findings from our review. These cover:

- The structure and culture of the relationships between TVCA, the constituent members (the 5 local authorities), STDC, the statutory officers and the JV partnership
- The decision-making processes in respect of the initial JV, and subsequent amendments
- The funds flow between TVCA, STDC and the JV, including some of the individual land transactions
- Some specific allegations around procurement and recruitment

4.2. The Panel undertook a desktop review of information provided by TVCA and STDC before calling for written submissions and following up with face-to-face interviews where appropriate. The Panel understand the complexities involved in the project; however, our experience has been that securing the information in a way that could be easily navigated was challenging. Initially, the Panel were overwhelmed with documents presented in an unstructured way and lacking a cohesive narrative. Subsequently, responses were limited to the specifics of the question posed. This has caused drift and delay in the process and reduced our confidence that we have been given access to all relevant materials. We have, however, confirmed to the Mayor and TVCA/STDC that we have received answers to all our questions and in turn received assurances from them that everything asked for has been provided if available.

4.3. In the time available to the Panel, we have not been able to pursue all lines of evidence or examine all transactions. We therefore chose to look at a number of significant decisions that have shaped the current arrangements. These being:

- Arrangements for the CPO
- Establishment of the JV 50/50
- Change to JV 90/10
- Operations, including scrap and site management
- Land transactions – specifically 3 transactions GE, which subsequently became the SeAH transaction, South Bank Quay and NTZ
- Governance and structures, including how public money is controlled and how cash/benefits flow between organisations

4.4. A number of issues have been raised by third parties which are outside the scope of our review. We have not investigated issues raised in respect of wildlife die off (previously covered by Defra), Teesside Airport, or health and safety. We have also excluded the dispute with PD ports as this is a matter currently with the courts and will be a public record once determined.

4.5. As the report was being concluded we were made aware by a third party[2] that STDC were in the process of establishing a new JV company - Steel River Energy Company - with the same JV Partners. We have not reviewed this further development, but the findings of this report will be pertinent to that process.

4.6. The Panel had no means to compel anyone to engage with the review and while we were not overwhelmed with responses to our requests for evidence, we were able to get sufficient depth and breadth of knowledge and experience to reach our conclusions. A list of individuals who submitted written evidence and/or attended interviews is attached at Appendix 2.

4.7. A former TVCA/STDC Monitoring Officer whose tenure covered September 2020 – December 2022 and who advised TVCA and STDC in respect of some significant decisions including the move to the JV 90/10 and TVCA oversight of STDC, was invited to interview but declined because they felt their professional duties barred them from participating in the review. TVCA confirmed to the Panel that they had informed the individual that they had no objection to their participating.

4.8. Through the work we have done, we have reviewed over 1400 documents and held some 45 interviews. Notwithstanding the constraints, we have sufficient evidence and consistency of views to form our conclusions as set out in the report.

4.9. We would like to thank everyone who has supported us in the review. It is hugely complex, and we have sought much information and looked at issues from a number of angles in order to understand them and triangulate our evidence. This has required patience on occasion, both for the Panel and those being engaged.

5. Financial Overview

5.1. Planned public sector investment in Teesworks up to the end of 2024/25 is in excess of £560m, including keepsafe obligations but excluding any additional spend linked to the

[2] Evidence received 11/11/23

new operating model. This is funded as set out below, noting that TWL has obligations in respect of £113m of borrowing, linked to Quay profitability and throughput, and Business Rates income is anticipated to support the balance.

	£m	
Government/TVCA Grants	246	
Borrowing	257	Including £206m from TVCA as at 31.03.23
Commercial income	57	Scrap and repayments due from TWL
	560	

5.2. As of 31st July 2023 TWL had generated some £196m in income and retained £63m at bank against future liabilities. Of the £45m paid to STDC, £40m represents an advance on future dividends. TWL has future commitments to STDC in respect of tonnage fees, subject to profitability, estimated at £113m and potential site development agreements of £217m.

	£m	
Income	**197**	scrap, land deals and interest
Expenditure		
Tax and overheads	34	
Land transaction	10	TVCA SeAH land transaction
STDC	45	
JV Partners	45	
	134	
Cash at Bank	**63**	

5.3. The business model for the site is complex and fluid, evolving at pace. It was always assumed that private sector investment would be necessary. However the original financial model considered by TVCA for the CPO was based on a number of benefits aligned to the public sector such as borrowing rates, tax efficiencies and its covenant strength for possible income strips. This has fundamentally changed over time with the JV arrangements and subsequent amendments. These changes have not been reflected in the underpinning financial model, including the financial proposition in the BEIS business case. The Panel has sought to test how risk has transferred to the private sector through these arrangements and note STDC has a number of retained liabilities, as does TVCA. The Panel has been unable to quantify all risks but note they include:

- Ongoing liabilities in respect of the site and land bank until such time as TWL exercises its options to drawdown and develop individual plots.
- Land fill tax risk on remediation work which is not recoverable from TWL.
- Borrower risk of £247m (of which £206m is long term borrowing by TVCA) in part if TWL does not meet its payments in respect of South Bank Quay. Further borrowings to be incurred post 31 March 2023.
- Infrastructure, park and ride and undevelopable sites.

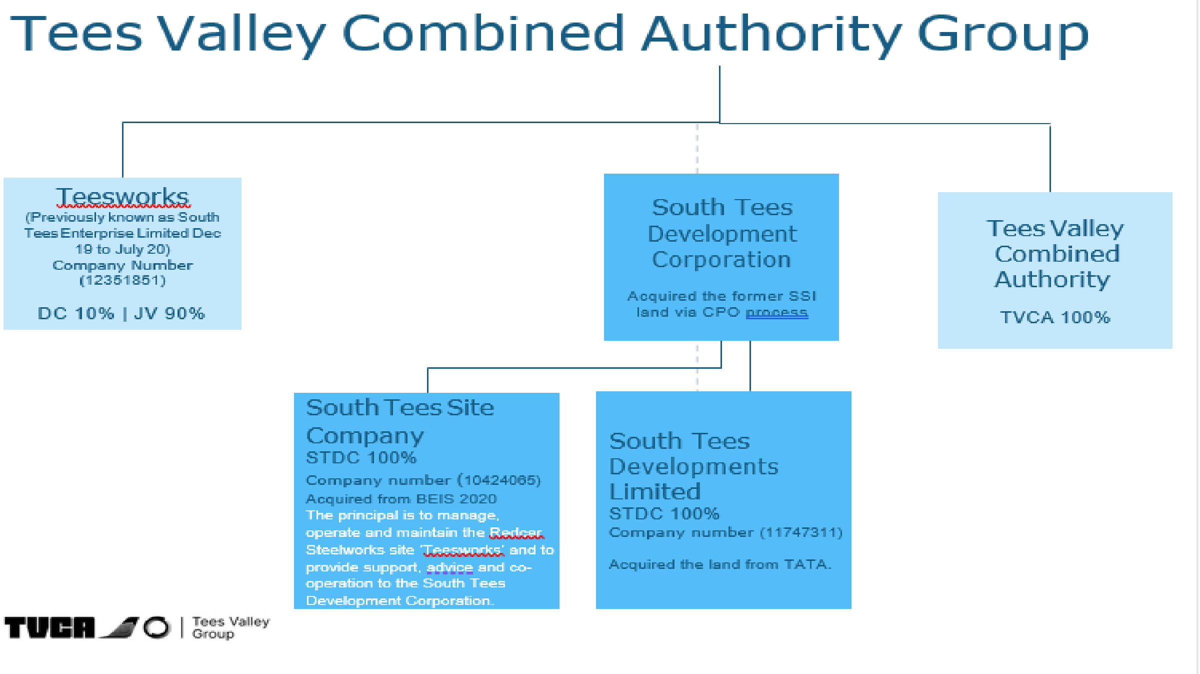
5.4. TVCA and R&C will receive additional business rates income generated by the development which needs to be re invested for the benefit of the site. These business rates are assumed to be available to STDC to support the original business case and financial model and may be used to offset some of these liabilities, however it is unclear if this decision has been explicitly made by TVCA.

5.5. The whole Tees Valley area will also benefit from the jobs and growth that are already being delivered and the ongoing growth expected.

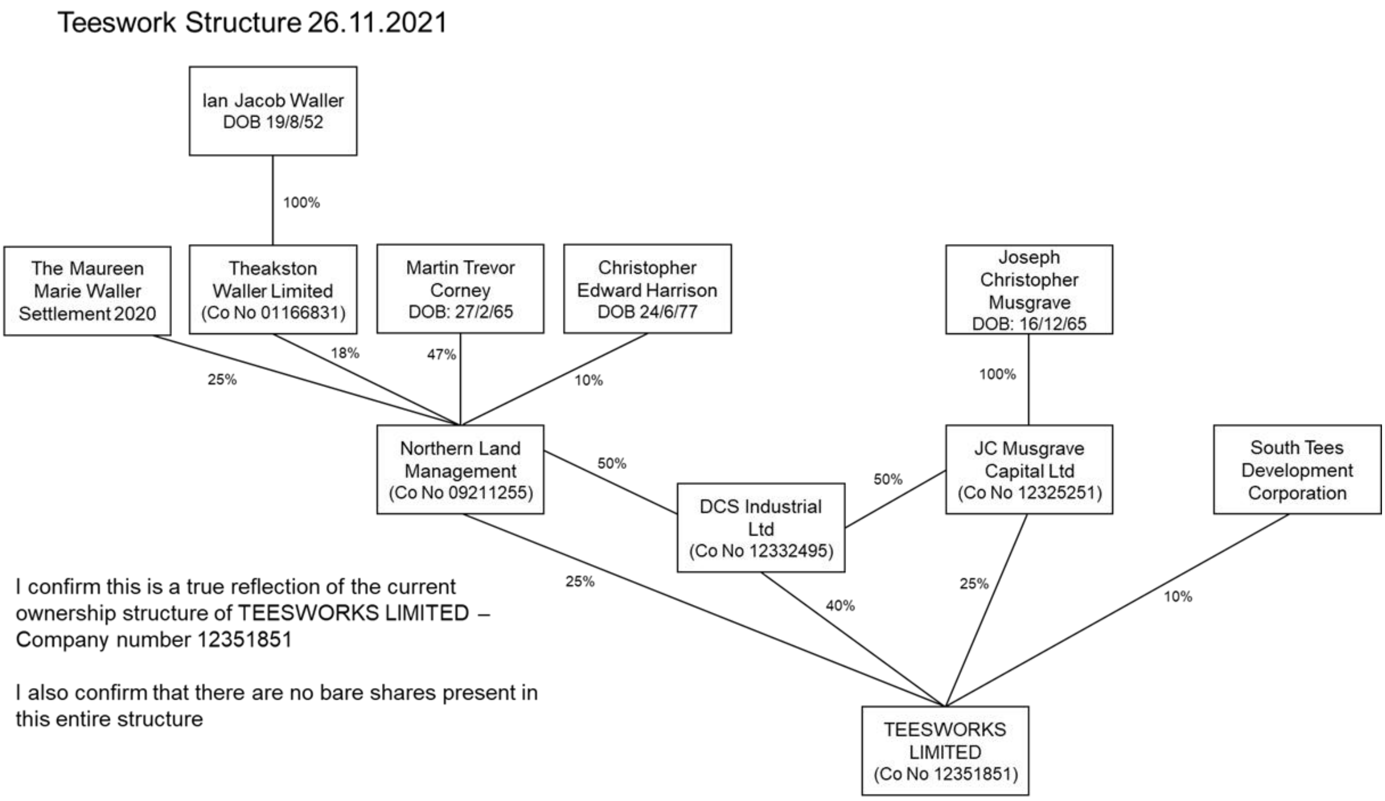
5.6. The financial arrangements in place are complex and are explored in more detail in chapter 19 of the report.

6. Company Structures

6.1. The Tees Valley Combined Authority Group is defined as set out in the structure below provided to the Panel by STDC/TVCA officers:



6.2. Behind Teesworks Limited (TWL) there is a further structure as provided by STDC/TVCA officers and sets out the entirety of the JV partnership. For the purposes of this report, the term JV partners is generally limited to Chris Musgrave and Martin Corney.



6.3. The group consists of three companies, TVCA; The Mayoral Development Corporation, STDC, which is responsible for the master plan, decontamination, and redevelopment of the former SSI site; and TWL the Joint Venture Partnership, set up by STDC "to enable the comprehensive regeneration of the South Tees Development Area"[3].

6.4. STDC has two wholly owned companies. South Tees Developments Limited which holds the land secured through the CPO or negotiation and subject to the comprehensive regeneration, as well as South Tees Site Company which is responsible for discharging the site "keepsafe" requirements.

6.5. Following a decision of STDC Board on 10 February 2020 to create the 50/50 JV, subsequently amended to 90/10 in August 2021, TWL was recognised in July 2020 through amendments to the company formally known as South Teesworks Enterprise Limited (STEL or STE), incorporated and owned by the JV Partners in December 2019.

6.6. As an MDC, STDC brings the opportunity to secure private sector management, give confidence to investors and drive delivery through a commercial approach to the complex project that is the remediation and redevelopment of Teesworks. It has the added benefits of working outside some of the local government statutory framework, enabling a different appetite for risk and reward.

6.7. Notwithstanding the relative freedoms afforded to STDC as a development corporation, it is still a public authority and has the same audit requirements and value for money tests as a local authority. This requires a higher level of openness and transparency than may be present in a private sector company. Governance therefore needs to be pitched at an

[3] Report to TVCA Cabinet 13 March 2020

appropriate level to not compromise the pace of delivery or commercial consideration, whilst ensuring fundamental strategic decisions that impact on the risk and liabilities held by the public sector are balanced with the benefits secured. Decisions should also be subject to appropriate scrutiny.

6.8. In chapters 12 to 18 of the report we explore in some detail the legal structures that define the relationship between STDC and TVCA set alongside how they operate in practice. The legislation is a modification of the Localism Act 2011 and the mechanism by which it is applied to TVCA and the Mayor may have resulted in some confusion as to its interpretation.

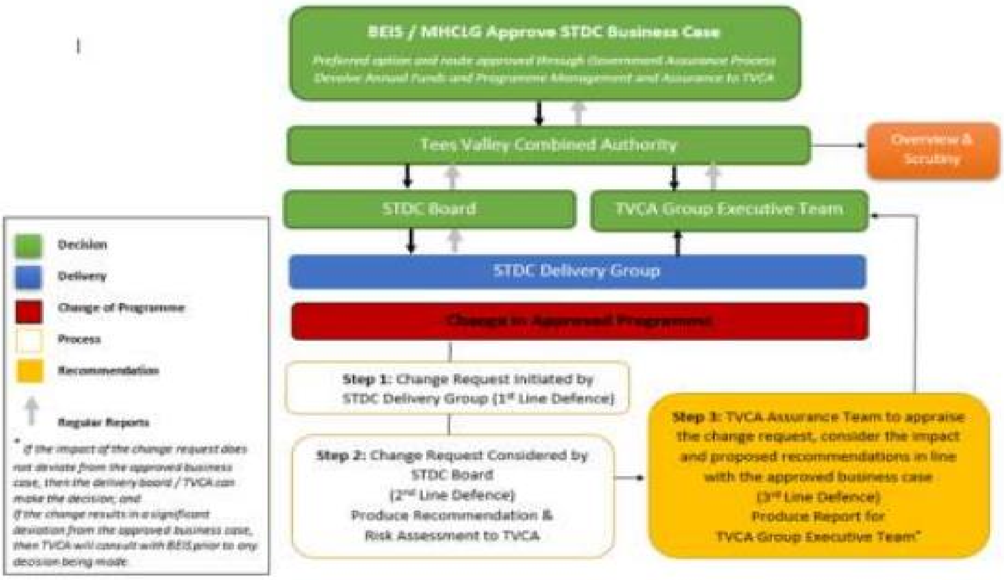
6.9. The legislation is clear however in its intent for TVCA to have an oversight/supervising function of STDC either directly or through the Mayor. It provides for TVCA to issue directions to STDC and sets out reserved matters requiring a Mayoral decision being:

- the disposal of land for less than best consideration,
- the formation of businesses and subsidiaries and the financing of them,
- the provision of financial assistance.

Where oversight is exercised by the Mayor this is complicated by the fact that he is also Chair of STDC and therefore this is not an independent function.

6.10. The final business case signed off by Government in July 2020 reinforces the need for TVCA oversight of STDC stating that "*TVCA will effectively play the role of Government….*" and latterly "*The funding will flow from Government to TVCA as the lead accountable body for this programme."* The business case also sets out the proposed assurance framework on decision making as follows:

Figure 6.2: Extract from STDC Assurance Framework on Decision Making



6.11. In practice, the current control exercised by TVCA over STDC is limited to a direction which requires the STDC Board to identify and refer "*decisions or issues which results or may result in a significant risk of a financial liability, a statutory liability or an environmental or criminal liability*"[4] for approval by TVCA Cabinet prior to implementation.

[4] TVCA constitution December 2022

6.12. The Panel have seen no evidence that any of the monitoring officers have advised TVCA that they can review their delegations and directions to STDC at any time. Nor have they reminded TVCA of their duty of oversight of STDC. Furthermore, a former monitoring officer advised TVCA Overview and Scrutiny Committee on 15th September 2021 that they had no jurisdiction to review STDC decisions.

6.13. The Group Executive have adopted a very narrow interpretation of the definition of a referral decision, which alongside the very clear steers from the former monitoring officer, means that TVCA have very little oversight of the actions and decisions of STDC. It is the view of the Panel that STDC should have referred more decisions to TVCA Cabinet and that TVCA Overview and Scrutiny Committee had a legitimate right to scrutinise STDC decisions. This is in relation to a relatively small number of significant decisions that have been taken which have fundamentally changed the delivery model proposed for STDC as signed off by TVCA. These referral decisions would have aligned with the supervision duty of TVCA and addressed the value for money test. STDC executive do not agree with the Panel's view.

6.14. While there is clarity in the legislation about TVCA duty of oversight of STDC, albeit directly or through the Mayor, there remains an issue of stranded (net) liabilities within STDC on which the legislation is silent. The Teesworks site is highly complex and, for some plots, there is no obvious viable commercial solution. It is accepted that this may change over time; however, the current construct of the JV, which allows the JV partners to choose which plots they develop and when, leaves a plausible scenario whereby STDC is left with stranded liabilities in addition to a number of ongoing site liabilities and debt servicing costs. While the STDC executive assure that these liabilities will only crystalise when the land is developed, the body or bodies that ultimately sit behind those liabilities would reasonably expect some influence and assurance on this point. In any case, it is the Panel's view that in the event of STDC being unable to service loans made by TVCA the debt servicing costs will automatically fall back on TVCA and be a charge on its revenues. In the 25 years during which TVCA will receive retained business rates it has a source of income to offset liabilities although STDC may also be dependent on some of the same monies. After 2046, TVCA and STDC will not have access to retained business rates.

7. Statutory Officers and the Scheme of Delegation

7.1. As public bodies, both TVCA and STDC are required to appoint three statutory officers. Since September 2020, these statutory officers have fulfilled their functions across the group of companies. For clarity, in this regard, the "group" does not include TWL which has its own arrangements. The three posts and postholders and the dates they took up their role jointly at STDCTVCA is set our below. Both the CEO and Acting Monitoring Officer were internal promotions so had longer experience with the organisations:

- Chief Executive (Head of Paid Service), Julie Gilhespie - appointed August 2019
- Director of Finance and Resources (s 73 Finance Officer), Gary MacDonald - appointed September 2019
- Acting Group Chief Legal Officer and Monitoring Officer, Emma Simson - appointed December 2022

7.2. In simple terms, the three officers between them have responsibility for ensuring the organisations are properly staffed to deliver their objectives and ambitions, that legal budgets are set and value for money obtained, that statutory obligations are fulfilled, and that appropriate codes of conduct are followed.

7.3. The group arrangement has the benefits of reducing costs and creates a clear line of sight across the group. However, we found evidence that it can lead to confusion outside of formal reporting arrangements whereby it is not always clear which body the officers are representing. Furthermore, conflicts of interest are not routinely recorded or articulated, particularly in the case of the Chief Executive and her role as a Director of TWL.

7.4. STDC Board members and constituent authority chief executives were relatively consistent in their confidence in the Group Chief Executive and the executive team who they felt were engaging, open and available. There is evidence however that the creation of group statutory officers is blurring boundaries and there is an opportunity to reconsider this practice for those statutory officer roles that are not in law required to be shared across TVCA and STDC. In any case consideration should be given to introducing strict protocols governing the conduct of these officers and bringing clarity to how they discharge their functions within, between and externally to both organisations.

7.5. The role and responsibilities of officers is determined by the scheme of delegation and financial regulations. These documents are designed to enable delivery by placing decision making at the right point in the organisation empowering officers to deliver at pace whilst giving senior executive, Board or political cover for those decisions that are significant, novel, or contentious.

7.6. The scheme of delegation is permissive. The Group Chief Executive has a very broad delegation[5]

> *"To take all action which is necessary or required in relation to the exercise of any of the Combined Authority's functions or the functions of the Mayor….."*

7.7. The same delegation applies to her role within STDC and in both cases she can further delegate to other officers.

7.8. The scheme of delegation also includes the financial limits within which officers can operate. These appear, however, to be limited to procurement rules. Other than having regard to the budget there appears to be no constraint on legal and contractual matters that officers can determine.

7.9. Clearly it is important that officers are empowered to take decisions and deliver at pace. However, given the lack of oversight enacted by TVCA, the permissive scheme of delegation further dilutes the potential transparency of decision making and the protections afforded to officers.

8. Constituent Members

8.1. The 5 local authorities who make up the constituent members of TVCA are critically aware of the importance of the redevelopment opportunities of the site and the "halo effect" of the development. Jobs and income streams through increased tax base to support local services are welcomed and there are good examples of how the development, alongside the broader work within the TVCA ambit, is encouraging this. Local authority leaders clearly want these benefits to come forward as quickly as possible and at the same time

[5] TVCA constitution 2023 v11

ensure the local impact is maximised, particularly to secure permanent, local jobs for local people.

8.2. The Leader of each constituent authority sits on TVCA Cabinet and will lead a portfolio on behalf of the Mayor. Furthermore, the Leader of R&C, and until recently Middlesborough, also sit on the STDC Board. Information is shared by way of formal committee structures and the aligned reporting arrangements as set out in the constitution. There are formal and informal briefing arrangements led by TVCA executive team. It is understood that Leaders and Chief Executives of the constituent authorities attend these meetings. We also understand that there are informal political meetings immediately ahead of Cabinet without officers present.

8.3. Between the constituent authorities, there is a mechanism to drive and shape the strategic and operational agenda for TVCA. This consists of monthly "management group" meetings of the 5 Development Directors together with TVCA, and the JV partners to discuss strategic development and regeneration including any recommendations for TVCA.

8.4. The 5 Chief Executives meet weekly for a telephone catch up and hold formal meetings monthly. The Chief Executive of TVCA/STDC attends these meetings and briefs Chief Executives on issues.

8.5. Evidence from the constituent authorities is that their Chief Executives, Finance Directors, and monitoring officers hold the view that they have a "*firewall*"[6] between them and STDC/TVCA. Even those that acknowledge they may ultimately bear any liabilities which fall back on TVCA believe that the risks have been "*covered off*"[7] . This sentiment was echoed by the Leaders that we spoke to.

8.6. In the absence of any real or perceived liabilities transferring from STDC to TVCA and TVCA to the constituent members, the Leaders and statutory officers within the constituent authorities appear to have a limited understanding of what is going on within STDC and little curiosity to explore and understand the decisions being made. Given the strategic opportunities for the TVCA area, the constituent authorities should take an active interest in shaping the agenda and decisions in the best interests of the TVCA area and its residents. They should approach this with an independent mind, seeking advice from their own officers, and offering a constructive check and challenge into the system. In conversation between the Panel and Authorities' Chief Finance Officers they were unaware of both the long-term loans advanced by TVCA to STDC and the detail of specific deals that involve TVCA.

9. Decisions and the STDC Board

9.1. A fundamental part of the governance and assurance frameworks is the advice given to decision makers. These are captured in the published reports and ideally should be available 5 clear working days ahead of the decision. We found the quality of reporting to be variable and in some instances, reports were late, sometimes published on the day, and decisions rushed. A clear example of this would be the decision to proceed with the CPO and form the JV 50/50 partnership. We also found evidence of reports containing

[6] Interviews 24/08/23
[7] Interviews 23/08/23

incorrect and incomplete information, for example in respect of the landfill tax, and the SeAH income strip.

9.2. While the Panel accepts there may on occasion be good reason for lateness, the impact when these circumstances arise, is to impede a healthy check and challenge in the system as follows:

- The Board do not have access to good quality, considered advice.
- The Board, who bring expertise and knowledge to the table, are unable to provide the Mayor with advice and guidance and help him to shape his decisions in the best interests of the residents of Tees Valley. Nor are they able to provide sufficient challenge and due diligence.
- Local Authority Leaders who sit on the Board are unable to secure advice from their professional officers and discuss with them the strategic and local implications of proposals or provide a different perspective on the benefit and risk exposure.
- The public are unable to see a clear rationale for the decisions taken.

9.3. STDC Board members, which include the Leader of R&C and until recently the Leader of Middlesborough, bring expertise and knowledge to the table. They help to shape strategy, provide constructive challenge to the executive, and support the Mayor in achieving his ambitions. Over time, the make up the board has reduced in number and moved away from industry experts to more local interest reflecting the shift from master planning and CPO preparations into delivery. It is entirely appropriate to change the Board to reflect the varying cycles within the Teesworks project and this intention was clearly set out in the final business case agreed by BEIS in June 2020.

9.4. A commercial Board is expected to support the Mayor and executive in their decision making including acting as a critical friend. This includes pertinent due diligence in terms of opportunity and risk of individual land transactions, as well as compatibility with strategy and delivery of outcomes. It is their responsibility to ensure they have sufficient and accurate advice and information to make the decisions being asked of the Board in support of the Mayor and STDC's objectives.

9.5. As STDC is a public authority, the Board, including associate members, also has a responsibility to ensure it is giving proper oversight to the management of the public assets and investments. They need to understand the risk and opportunities they are taking on behalf of taxpayers and how public resources are expected to flow through the system as a result of the decisions they take. The nature of reports to the Board are such that they do not always make this clear and while it may not have changed the decisions made, this is a key requirement to satisfy the value for money obligation.

9.6. As set out previously, the scheme of delegation may be an impediment to the Board being able to fulfil their functions and undertake appropriate due diligence. Examples of this include the two supplemental deeds to the JV 50/50 agreed under delegations by the executive in June and July 2020 which enabled TWL to remove minerals aggregates etc. for their "own benefit" and agreed the £15m compensation to SSI for the CPO.

9.7. In practice, given the degree of delegation and the reporting arrangements, information and oversight of the project sits with a small number of individuals, primarily the statutory officers and the Mayor. STDC Board members, TVCA Cabinet, both Audit committees as well as TVCA Scrutiny committee, together with the constituent authorities, are heavily reliant on those individuals to provide them with a full and accurate picture to enable decisions to be taken in the best interests of the public. This tight control of information enhances the risk of misinformation and when aligned to late reports, a lack of detail and overt reliance on verbal reporting, this can undermine appropriate decision making.

9.8. Feedback from STDC Board members on the level of detail they receive ahead of decision making is understandably mixed; some believing it to be sufficient, others taking a contrary view. It is also clear to the Panel that for those Board members interviewed much of the information we shared around the sequence of the JV decisions and some land transactions was obviously new to them. In all cases in terms of the key decisions taken by the STDC Board, it is important to note that they were agreed unanimously; although some Board Members did caveat that they were sometimes rushed and they didn't have sufficient information or understanding.

9.9. The Panel is also aware[8], that representatives of the JV Partners participate in STDC governance meetings on occasion to ensure that work is "joined up and effectively and efficiently delivered". We understand from Board member interviews[9] that this includes confidential STDC Board discussions. Of course partnership working requires the JV Partners or their representatives to be involved appropriately in operational discussions. The Panel believes it is wholly inappropriate for the JV Partners or their representatives to be included in any confidential Board discussions. In all meetings it is important that conflicts of interest are managed, declared and observed.

9.10. The Panel are united in their view that we have not seen sufficient evidence that decision makers were properly informed. We fully appreciate that this is a fast moving situation underpinned by many complex arrangements, but in terms of managing public assets all information around key decisions should be fully documented, including advice from internal professionals and external experts as appropriate. Failure to do this could compromise the decisions and where an expert Board has been convened, as in the case of STDC, this prevents them from providing good advice and guidance to the Mayor.

10. Joint Venture Partnership

10.1. The 50/50 JV partnership was agreed by STDC Board on 10 February 2020 following a private agenda item "Compulsory Purchase Order (CPO) update". At this juncture, the only substantive objection to the CPO, which would enable the outstanding plots of land to be acquired, was from SSI/the Thai Banks. The objection was deemed by external advisers to be a credible risk to the CPO as there was development potential. The 50/50 JV was critical to being able to reach agreement with the Thai Banks to remove their objections.

10.2. On 29th November 2019, the JV partners acquired an option on 70 acres of Redcar Bulk Terminal (RBT) land. The JV partners[10] advise that they approached the Managing Director of RBT to secure an option on the understanding RBT needed cash for the business which was "on the brink of collapse". Ultimately the sale of the option to the JV partners was a decision which British Steel signed off.

10.3. Having acquired the option, the JV partners were able to lever their position both with SSI and STDC, ultimately using this to secure SSI's agreement to withdraw their objection to the CPO in exchange for the 50/50 JV with STDC. These negotiations occurred between

[8] evidence submitted by TVCA/STDC executive on 19 June 2023
[9] 11 & 12 September 2023
[10] Interview 03/10/23

December 2019 and February 2020. In the circumstances, removing the objection to the CPO was a clear rationale for STDC to enter into the JV agreement which can be summarised as follows:

- a 30-year option on all STDC owned land to the JV to draw down once remediated by STDC.
- JV to develop and market the site once remediated.
- a 50/50 share in the uplift on market value between the JV partners and STDC, and
- a deadlock company requiring shareholder approval on all material asset decisions.

10.4. The Group Chief Executive was STDC's nominated Director to the Board of the JV Company representing the shareholder. Directors have a legal duty to promote good governance of company affairs and act in the company's best interest.

10.5. The Panel understand that one of the risks explored by the Board in entering this agreement was the fact that there was no obligation on the JV partners to develop the land. The executive's advice was that this was mitigated by the commercial opportunity offered to the JV to proceed. In reality, under the JV, the JV partners bear no risk or liability if the site is not progressed, whilst STDC have a stated intent to secure the regeneration of the area and a local expectation that this will be delivered as soon as possible. Consequently, when the Freeport opportunity arose and there was a desire on behalf of the Mayor to accelerate delivery, there was very little leverage available to STDC in the subsequent negotiation. The land was already effectively under the control of the JV by virtue of the option and the deadlock arrangements which meant development could only progress with the partners' consent.

10.6. The Panel asked the JV Partners about the basis of the 50/50 JV negotiated[8] and reference was made to the 50/50 partnership at the airport. The Panel asked the group Chief Executive for sight of the process used to select and agree the airport partners and any due diligence undertaken. We were given to understand[11] that TVCA were not involved in this process and did not rely on it to develop the Teesworks JV.

10.7. However, the Panel are aware through an external stakeholder[12], of a private agenda item **"Tees Valley International Airport Southside Business Park"** considered by TVCA Cabinet at its meeting of 20 December 2019 approving a commercial loan of £23.6m to Teesside International Airport and endorsing their plan to enter into a JV which involved the same JV Partners.

10.8. The 90/10 JV partnership was agreed by the STDC Board on 18 August 2021 following a private agenda item ""**Proposals for the delivery of site in light of Freeport Objectives**". This was a lengthy report setting out the implications and opportunities of Freeport status, the success of the existing JV arrangements, and proposals to amend the JV arrangements. The proposal was to:

"*transfer significant risk and rewards to incentivise the required pace of delivery to maximise the Freeport tax and customs benefits within a five year time period."*

And advised that

"*STDC has therefore negotiated an increase of 40% share capital in Teesworks to the private sector partners in exchange for Teesworks taking on the future development of*

[11] Evidence provided by chief executive 6 October 2023
[12] Evidence received 17/10/23

the site together with the estimated c£172m of net future liabilities in preparing the site for tenants."

10.9. The report delegated to the group Chief Executive and Director of Finance and Resources, in consultation with the Mayor, the authority to execute the decision in line with the independent reports and advice.

10.10. The negotiation for the 90/10 JV was always going to be constrained by virtue of the existing arrangements where the balance of power sat with the JV partners. The potential to apply for Freeport status was public knowledge in January 2020, STDC submitted its bid in February 2021 and was advised of success in March 2021. It is unclear how these constraints were considered before applying for Freeport status which received formal designation by Government on 31st October 2021.

10.11. The JV agreement has evolved overtime with successive "supplemental deeds". The form of decision making, and the financial implications are set out later in the report. However, the incremental approach means that the impact on the obligations of each party is less clear, and these could be rationalised into a single agreement to bring clarity to the situation and explore any opportunity to renegotiate the deal.

10.12. The JV partners are clearly astute, commercial businessmen. They have a clear business model whereby they support distressed businesses and do not accept liabilities until they are satisfied they can hedge investment against secure income streams. They have put themselves in a position where they were able to negotiate favourable terms and progress that through the ongoing developments. While the Panel would argue that any commercial venture with the public sector should reflect the Nolan principles in terms of openness and transparency as well as value for money and public returns, essentially it is the responsibility of the public authority - STDC and TVCA - to ensure the appropriate checks and balances are in place.

10.13. At this juncture, the JV partners have put no direct cash into the project and have received nearly £45m in dividends and payments, and hold £63m of cash from the SeAH income strip in TWL accounts. They have contributed their intellectual capacity and human resource from their own companies at no cost to the JV and there is little doubt they have bought pace to delivery that would not have been achievable by STDC alone. The JV partners see no prospect of renegotiating a deal that rebalances their relative advantage over STDC.

10.14. To the best of our knowledge, there is no formal partnership agreement that sets out the obligations of the JV partners, although it is clear that the JV Partners are heavily influential within the operations of the Teesworks site. Martin Corney has an office on site and describes[13] that he "practically lives" there. The STDC executive describe the arrangements as follows[14]

"*The role of Teesworks in the day-to-day STDC operational governance is through the STDC Delivery Group which includes senior members of all workstreams [both] public and private sectors*".

10.15. This influence has clearly extended to recommendations in respect of a number of appointments and decisions that STDC made and which are set out later in this report

[13] Interview 03/10/23

[14] Evidence submitted 19/06/23

under chapter 21. Whilst using known contacts may be acceptable practice within parts of the private sector, and can have its role within the public sector, for short term resourcing, this does not accord with the principles of openness and transparency. In the circumstances this represents poor judgement on behalf of the STDC executive team.

10.16. With such close integration and engagement within STDC operations the executive has considered operational risks including health and safety should there be an issue on site. They are comfortable that they are not exposed to any tenant, contractor or sub-contractor taking instructions from the JV Partners that may latterly give rise to STDC liabilities. The Panel strongly recommend they keep this situation under close review.

10.17. The transactions and decision making in respect of the JV arrangements are covered in more detail later in this report.

11. Information and Transparency

11.1. Consistently throughout the review the Panel received concerns about openness and transparency. This extended to eternal stakeholders and FOI requests. The Panel themselves experienced some of the challenges in terms of securing the necessary information in an accessible way that contextualised the story of Teesworks, much of which is a positive story.

11.2. The need for commercial confidentiality is a valid reason for non-disclosure however that must be balanced with the public interest test. The limited access to information is a key factor in driving the concerns about the decision making process.

11.3. Internal and external audit also have a role to play in providing assurance and challenge into the system including to taxpayers. The Panel noted the largely positive assurances provided by internal audit. We also noted that external audit had not signed off the accounts in respect of value for money, pending this report. It is the Panel's view that internal audit could be more alert to assessing the risk factors held within STDC and TVCA. In line with their responsibilities outlined in the Code of Audit Practice, External Audit will need to take account of the Panel’s findings when reaching a view on each bodies’ value for money arrangements . The Panel note that following a procurement exercise the internal audit provider has recently changed.

12. Decision making and governance

12.1. This section of the review is intended to focus on the theme of ‘Governance’ and in particular the manner in which the project was and is being managed, how decisions were made and how the interests of the taxpayer were protected. The Teesworks project has to date been funded from the public purse and the organisations at the heart of the project are properly characterised as exercising functions of a public nature, albeit that the ultimate objective is the enablement of private enterprise to develop new forms of industry and wealth creation for this strategically important part of the UK’s industrial landscape.

12.2. There are several decision making entities associated with the Teesworks project and the primary focus of this review has been on the following:

- The Mayor of Teesside
- Tees Valley Combined Authority (TVCA) (Combined Authority)

- South Tees Development Corporation (STDC) (Mayoral Development Corporation)
- Teeswork Ltd. (TWL) a company limited by shares and owned by public and private entities.

The Mayor and Combined Authority

12.3. TVCA and the Office of Teesside Mayor were established in 2016 as a result of a devolution deal and the first mayoral election was held in May 2017. The Mayor is the Chair of TVCA Cabinet and the Mayor's role is described in the TVCA Constitution[15] as:

> *"….The Constitution therefore provides for the Mayor's role to be embedded in the Combined Authority's collective decision-making arrangements. The Mayor chairs a Cabinet made up of the Leaders of the five authorities, who together form the Combined Authority's collective decision-making forum."*

The Teesworks Project

12.4. The core aims of the Teesworks project are set out in 'Tees Valley Unlimited', the report authored by Lord Heseltine in 2016 which was the catalyst for the establishment of TVCA and the regeneration of the former Redcar Steelworks site and which was subsequently refined into a master plan for the Teesworks Project.

12.5. The project evolved over a number of years from 2017 through to the present day and during that time its structure evolved with the emergence of a Mayoral Development Corporation, STDC, designed to oversee the Teesworks project and subsequently the establishment of a public/private Joint Venture through TWL.

12.6. A key aspect of the review is the role played by STDC in the Compulsory Purchase of the land and the subsequent deployment of public money to remediate parts of the Teesworks site to enable its development into a major hub for modern industries such as wind power. Key events during the period from late 2019 to the present day include the grant of the CPO on the relevant land, the establishment of TWL between STDC and the JV Partners, the evolution of TWL and the associated underlying financial model.

12.7. The project is described as the largest regeneration project undertaken in the UK covering thousands of acres of land. The project is complex and the JV between the public and private sectors brings the inevitable cultural tensions between the desire to move at pace unencumbered by bureaucracy as opposed to the expectations of accountability and transparency due to the fact that it is the recipient of considerable amounts of public funding.

12.8. The project under consideration in this review is a hugely complex one. This is magnified by the dynamic nature of the evolving business relationship between STDC and the JV Partners which has repeatedly and significantly changed during the period from late 2019 through the present day. The detailed arrangements are captured in a range of legal documents and involving a number of legal entities. The arrangements were described by one of the lawyers involved as the most complex they'd seen in this type of arrangement. Appendix 3 contains a schedule of legal documents which were considered during the review, but it isn't an exhaustive list.

[15] TVCA Constitution – P.3

12.9. It is noted that much of the detail was and continues to be treated as confidential on the basis of commercial sensitivity, and the absence of information appears to have fuelled the media speculation and generated adverse public comment.

12.10. Given the complexity of the project and the number of legal agreements etc, the absence of a detailed Joint Venture agreement, which clearly sets out the obligations of the parties to the JV, is significant and has given rise to some ambiguity from the external perspective as to the precise roles and responsibilities of TCVA, STDC and the JV Partners against which performance can be measured aligned to the rewards being provided.

12.11. The Localism Act 2011 provides a range of tools for TVCA to exercise oversight, influence, and control over STDC. TVCA and STDC also have in place comprehensive Constitutions which set out the governance requirements and processes. These are augmented by the Accountability Framework. On the face of it the combined effect of these controls would, if diligently followed, ensure appropriate accountability, scrutiny, and transparency.

12.12. However, discussions between the Panel members and TVCA/STDC officials revealed differing viewpoints on the interpretation of the provisions regarding the threshold at which the referral of decisions for TVCA approval was required. There were also differences of opinion regarding aspects of the legislative safeguards such as the extent of control/scrutiny TVCA was able to exert over STDC.

12.13. There was a lack of clarity as to whether and to what extent TVCA and the constituent local authorities were liable for the activities of the MDC which is the vehicle via which the Mayor is orchestrating the Teesworks project. A key question was whether, in the event that financial or other liabilities arose from STDC, the constituent authorities or ultimately HM Government would meet such losses. In any event TVCA has direct exposure to STDC and TWL through long term loans and SeAH income strip. At the STDC audit and governance committee in August 2022 the committee discussed the importance of the Going Concern assumption. The minute of the discussion incorrectly records that TVCA had provided a letter of support to STDC guaranteeing continued funding, in fact the letter related to STSC. It is not clear whether the Committee understood the accurate position regarding the Going Concern assumption.

12.14. In view of the mechanisms available for TVCA and the Mayor to exercise oversight and given the numerous significant decisions made during the years from 2020 to the present day, the almost complete absence of any referral decisions or evidence of any consents being sought is noteworthy. The underlying legislation is convoluted, and it may have been the case that there was a lack of awareness amongst TVCA members of the levers available to them and the range of STDC decisions which were subject to the requirement for TVCA/Mayoral consent.

12.15. As regards the quality and content of reports which were submitted to TCVA and to some extent STDC Board, the Panel noted the paucity of detail in some reports, the absence of the source of legal and other professional advice and the absence of full and clear explanations of the consequences arising from decisions. In addition, some of the more significant decisions were taken at short notice leaving little time for decision makers to fully digest matters. Although it isn't possible to conclude that any decisions would have been decided differently, it is appropriate to recognise the risk and highlight these areas of weak governance for future improvement.

12.16. The Panel members concluded that the level and nature of the transparency and accountability associated with this project hasn't always met the standard which they would consider appropriate for a publicly funded project of this scale and nature.

Relationship of STDC to TVCA and Role of Monitoring Officer

12.17. The Panel members and STDC Senior Officers also differed regarding the nature of the requirement, set out in the Tees Valley Combined Authority (Functions) Order 2017[16], that the TVCA Monitoring Officer should also fulfil the role of Monitoring Officer for STDC as if it were a committee of TVCA.

12.18. Whilst it is clear that STDC isn't a 'committee' of TVCA in the legal sense and is a separate legal entity, the provision requires the type of legal scrutiny and oversight in respect of STDC as would be the case in respect of TVCA or one of its committees. When combined with the other measures of control and influence available to the TVCA it is clearly not intended to be an entirely autonomous entity. Advice commissioned by the Chief Executive of STDC confirms this as follows[17]:

"24. In summary a Mayoral development corporation is an independent legal body; it is not a committee of the Combined Authority. As a public authority it has a relationship with the Combined Authority that created it and exercises its functions within its aims and objects. Like other public bodies a corporation is reviewed and monitored by the Combined Authority and its monitoring officers. Despite having broad powers certain decisions are subject to consent (in effect supervision) by the Combined Authority. The corporation must also have regard to any guidance issued by the Combined Authority and must comply with any directions made by it."

12.19. It was a matter of some concern that one of the former Monitoring Officers described their involvement as 'peripheral'. According to the legislation and TVCA/STDC constitutions the Monitoring Officer and other Statutory Officers had a key role to play in advising both TVCA and STDC members of the relevant legal and governance provisions.

Decision Makers and Potential for Conflict of Interest

12.20. On the basis of interviews with key persons involved, including TVCA Officers and members of the STDC Board, the Panel gained the impression that there was a relatively small group of people who had full accessibility/awareness of information regarding the key business decisions being made in relation to the project. The core group of officers and the Mayor held senior appointments in a number of relevant corporate bodies which in some cases gave rise to potential conflicts of interest, in particular those between TVCA, The Office of Mayor, STDC/STDL and TWL. The restructuring of the joint venture, with the effect of dramatically reducing the STDC ownership and role, increased the potential for conflicts because the STDC Chief Executive remained a Director of TWL, (and shareholder representative for STDC) and continued to participate in decision making. When questioned about potential conflicts, the Chief Executive didn't acknowledge the potential and confirmed that they hadn't registered any interests in the accordance with the TVCA/STDC officer conflicts requirements.

Teesworks Ltd (TWL) – Governance

[16] Tees Valley Combined Authority (Functions) Order 2017 art. 6(7)

[17] Leo Charalambides 9th October 2023.

12.21. TWL, originally named South Tees Enterprise (STEL), is the company which was used as the vehicle for the 50/50 Joint Venture between STDC and the JV Partners and which continued as the 90/10 JV following changes in share ownership in 2021. It was acknowledged by senior TVCA officers that there is limited formal governance and decision making within TWL, which given the large sums of money arising from public investment which flow through and are controlled by TWL, much of which is necessary to meet obligations to STDC, is a concern. The Chief Executive for TVCA and STDC, has been a director of TWL since 2020. The interests of TWL haven't always been aligned with those of either TVCA or STDC, particularly after the re-distribution of share ownership and this gives rise to potential/perceived conflicts of interest which could be avoided by another TVCA, or an officer from a constituent authority, undertaking the TWL director role in place of the chief executive. The Panel was only made aware of two records of TWL meetings that were formal in the sense of being minuted.

Transparency vs Confidentiality

12.22. The key officers and the Mayor hold the view that much of the information relating to the Teesworks project is commercially sensitive and warrants a relatively high level of confidentiality. Significant amounts of information remain confidential. Freedom of Information requests have regularly been refused by TVCA on the basis of commercial confidentiality and in some cases with weak public interest justification. FoI requests in respect of information concerning TWL have been refused on the basis that it is not wholly owned by a public authority. It is understood that recent changes to the FoI processes have been implemented by TVCA which may have brought the process into compliance but the Panel have not had the opportunity to assess that.

12.23. Members of TVCA Overview & Scrutiny Committee expressed frustration at the lack of information provided which they felt undermined their ability to scrutinise the activity of STDC and TWL. The Panel feel that this information vacuum serves to encourage the speculation and may create a distraction from the positive outcomes arising from the project. Members of the TVCA Audit Committee expressed similar concerns.

12.24. In the context of public private joint ventures, finding the right balance between the prevailing cultural norms relating to matters such as transparency, public accountability and governance is often a challenge and the Teesworks project isn't immune from that.

Significant Decisions

12.25. The review has considered a large amount of information covering the period from the inception of TVCA in 2017 up to the present day. In reviewing the decision-making process, the following decision points have been of primary focus for the Panel because they have had a particular level of importance or impact upon the project:

- The decision of the Mayor and STDC in Feb 2020 to enter into a public/private 50/50 JV partnership between STDC and the JV Partners, which included granting options to the JV Partners over land comprising the entire Teeswork site as held by STDC/STDL.
- The Decision of the Mayor and STDC in March 2020 to agree a settlement with SSI and the Thai Banks regarding land subject to the CPO process whereby they would withdraw objections to the CPO in return for some of the CPO land being transferred and demolition works provided by TVCA/STDC.

- The subsequent decision of the Mayor/STDC officials in June 2020 to withdraw from the first settlement and enter a second settlement agreement (SA2) with the Thai banks regarding the CPO land which involved incurring costs of £16m for land purchase.
- The decision of the Mayor and STDC in Aug 2021 to alter the ownership and control of the JV Co from 50/50 to 90/10 in favour of the JV Partners and associated changes including amendment of the land options with the effect of reducing the cost of exercising the options.
- The decisions of the Mayor, STDC, TVCA and TWL relating to the GE/SeAH Wind Turbine Production Facility including the receipt by TWL of the proceeds of an 'income strip' valued at £93m.
- Decision of the Mayor and STDC regarding the funding and construction of and subsequent sale on deferred terms of the South Bank Quay Development including TVCA taking on a £106m loan from the UK Investment Bank. Whilst TVCA agreed the original business case there has been no further reference back regarding TVCA undertaking the borrowing or subsequent "sale".
- Decisions of STDC regarding the changed operating arrangements as a result of potential changes to landfill tax.

13. TVCA and STDC – Governance Architecture

Tees Valley Combined Authority (TVCA)

13.1. Part 6 of the Local Democracy, Economic Development and Construction Act 2009 ("the 2009 Act") provides for the establishment of Combined Authorities. As a result of a Devolution Deal in 2015, Tees Valley Combined Authority (TVCA) was established by Order on 1st April 2016[18] (the TVCA Order). The role of Teesside Mayor was established by Order on 19July 2016[19].

13.2. Article 5 of the TVCA Order provides that the constituent councils, Darlington, Hartlepool, Middlesborough, Redcar and Cleveland, and Stockton-on-Tees, shall be responsible for meeting the costs of TVCA reasonably attributable to TVCA's exercise of its functions as set out in the Order. The order stipulates a scheme of apportionment of the costs which shall be followed in the absence of any agreement between the constituent councils.

13.3. On the 3rd March 2017 a further order came into force which made detailed provisions as to the specific functions conferred on TVCA[20]. It also contained a variety of other provisions including the following 'Incidental Provisions' which had the effect of imposing elements of the Local Authority regulatory framework in the context of Mayoral Development Corporations, for example:

> *7. Section 5(25) of the 1989 Act (designation and reports of monitoring officer) shall apply in relation to the Combined Authority as if a Corporation were a committee of the Authority.*

[18] The Tees Valley Combined Authority Order 2016 SI2016 No. 449
[19] The Tees Valley Combined Authority (Election of Mayor) Order 2016 No. 783
[20] The Tees Valley Combined Authority (Functions) Order 2017 SI 2017 No. 250

13.4. The second Order also provides that the constituent councils must meet the costs of the expenditure reasonably incurred by the Mayor in connection with the exercise of his functions. (Art 10(2)).

13.5. The underlying legislative architecture of TVCA and the Mayor is based upon the Greater London Assembly Mayoral model with a directly elected Mayor. The Order operates to transpose that legislation into the TVCA context with appropriate textual changes regarding references to the London Mayor and Greater London Assembly etc. The Governance arrangements for TVCA are contained in its Constitution and supplemented by the Tees Valley Assurance Framework 2019-29.

13.6. The Mayor is the Chairman of TVCA Cabinet which is comprised of the Council Leaders of each Constituent Authority. The Cabinet is a part of the democratic TVCA decision making mechanism and operates collectively with the Mayor although it should be noted that the Mayor is directly elected and has decision making powers in his own right.

Status of TVCA

13.7. The legal status of TVCA is that of a principal local authority in most circumstances and consequently it must operate within the legal and regulatory regimes and guidance applicable in that context. Of particular relevance to this review are the obligations on transparency of decision making and accountability for ensuring best value is achieved as regards the expenditure of public funds. The Nolan principles of conduct in public office apply and are contained as a preamble to the TVCA Councillors Code of Conduct at Appendix VII of the TVCA Constitution.

13.8. The Order confers a range of functions on TVCA[21] many of which are deemed to be general functions 'exercisable only by the Mayor[22]

13.9. S.73 of the Local Government Act 1985 provides the requirement that an officer be designated to make arrangements for the proper administration of TVCA financial affairs. TVCA must also designate a Scrutiny Officer, Monitoring Officer and Head of Paid service and these roles carry the relevant statutory obligations.

13.10. All meetings of TVCA are subject to the access to information rules under Schedule 12A of the Local Government Act 1972.

Overview & Scrutiny Committee

13.11. TVCA is obliged to establish an Overview and Scrutiny Committee[23] whose members must be empowered to review and scrutinise decisions and or actions of TVCA or the Mayor.

13.12. The TVCA Overview and Scrutiny (O&S) Committee is composed of 15 councillors (3 from each of the Constituent Authorities), reflecting the political balance across all 5 Constituent Authorities. The purpose of the O&S Committee is set out in the TVCA Constitution (Appendix II para 2.1) as follows:

> *"…in order to scrutinise and support the decision-making of the Combined Authority Cabinet ("the Cabinet") and the Tees Valley Mayor ("the Mayor")."*

[21] Article 3(1) Tees Valley Combined Authority (Functions) Order 2017
[22] Article 5(1) Tees Valley Combined Authority (Functions) Order 2017
[23] Local Democracy, Economic Development & Construction Act 2009 Schedule 5A

13.13. This is generally acknowledged to include the right to access documents in the possession or control of the Mayor or TVCA and which relates to any decision of TVCA or the Mayor.

13.14. The Panel aren't aware of any of the significant decisions under review having been shared with the TVCA O&S Committee for review or potential Call-in. In fact the former Monitoring Officer had, in a report dated 15th September 2021, provided written advice to the O&S Committee to the effect that the Committee's reach didn't extend to bodies such as the STDC.

13.15. The following is an extract from Schedule 5A to the Local Democracy, Economic Development and Construction Act 2009

9.

"1. (1) A combined authority must arrange for the appointment by the authority of one or more committees of the authority (referred to in this Schedule as overview and scrutiny committees).

(2) The arrangements must ensure that the combined authority's overview and scrutiny committee has power (or its overview and scrutiny committees have power between them)—

(a) to review or scrutinise decisions made, or other action taken, in connection with the discharge of any functions which are the responsibility of the authority;

(b) to make reports or recommendations to the authority with respect to the discharge of any functions that are the responsibility of the authority;

(c) to make reports or recommendations to the authority on matters that affect the authority's area or the inhabitants of the area.

(3) If the combined authority is a mayoral combined authority, the arrangements must also ensure that the combined authority's overview and scrutiny committee has power (or its overview and scrutiny committees have power between them)—

(a) to review or scrutinise decisions made, or other action taken, in connection with the discharge by the mayor of any general functions;

(b) to make reports or recommendations to the mayor with respect to the discharge of any general functions;

(c) to make reports or recommendations to the mayor on matters that affect the authority's area or the inhabitants of the area.

……………

(8) Any reference in this schedule to the discharges of any functions includes a reference to the doing of anything which is calculated to facilitate, or is conducive or incidental to, the discharge of those functions."

13.16. Subsequent regulations made in 2017 have reiterated the role of the Overview and scrutiny functions within the context of a combined authority[24].

[24] The Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017

13.17. STDC is a public authority created and wholly owned by TVCA, albeit a separate legal entity, and which has been established as a vehicle for delivering the objectives of TVCA i.e. STDC operates in connection with the discharge of TVCA functions and or its existence/role is calculated to facilitate, or is conducive or incidental to, the discharge of TVCA functions. As such, the activities of STDC would fall within the remit of the TVCA Overview and Scrutiny Committee.

13.18. However, the approach adopted by TVCA on advice from its Monitoring Officer, limited the remit of the O&S Committee by excluding the activity of STDC and TWL. The following is an extract from a report authored by the TVCA Monitoring Officer dated 15th September 2021. It was submitted to the TVCA O&S Committee to provide guidance on the extent of the committee's remit.

> *5. It is also important to consider the scope of the remit of the O&SC in the context of the role, in relation to the decision making of the Combined Authority. Whilst the remit extends to the decisions of the Combined Authority including the decisions in relation to funding given by the Combined Authority and its role the Combined Authority takes to funding given by the Combined Authority and its role the Combined Authority takes in monitoring those investments, the O&SC's reach ends with the Combined Authority's decisions and does not extend inside some of the principal funding recipients such as the South Tees Development Corporation and Teesside International Airport.*
>
> *15. Whilst the remit of the Committee is not constrained to Key Decisions, it is constrained to examining only the decisions of the Combined Authority. The role of the Committee does not extend to the decisions of other bodies, even when they are significantly funded or closely related to the Authority. As such, it is legitimate for the Committee to examine TVCA's decisions in relation to its funding and the monitoring of its funding of those organisations. However, these organisations have their own organisation and governance, and the remit of the Committee does not extend beyond the decisions of the Combined Authority.*

13.19. It is noteworthy that TVCA has provided over £200m of long-term loans to STDC including from UKIB for the construction of the Quay, together with access to business rates income. As such the finances of STDC are fully reliant on continued financial support from TVCA and these arrangements alone should merit review by both TVCA overview and scrutiny and audit and governance committees.

13.20. This advice is at odds with the provisions of the TVCA Constitution and legislation as set out above which describes the remit as extending to any action or decisions made in connection with the discharge of any functions that are the responsibility of the authority.

13.21. STDC is itself directly undertaking functions of TVCA, and TWL is also a key element in delivering against those functions and at the time the advice was provided, was 50% owned by STDC. Attempts were made to explore the basis for the advice, but the former Monitoring Officer refused to have any contact with the Panel or contribute to the review stating that their professional duties barred them from this despite receiving assurances from TVCA that they had no objection.

13.22. Another important mechanism for overview and scrutiny is Call-In under paragraph (4).
(4) The power of an overview and scrutiny committee under sub-paragraph (2)(a) and(3)(a) to review or scrutinise a decision made but not implemented includes—

(a) power to direct that a decision is not to be implemented while it is under review or scrutiny by the overview and scrutiny committee, and
(b) power to recommend that the decision be reconsidered.

13.23. These provisions are reflected in Paragraph 72 of the TVCA constitution and in Appendix II of the procedure rules.

13.24. The following is the definition of 'Key Decisions' which are required to be included in the TVCA's Forward Plan copies of which are required to be circulated to the Members of O&S in order that they are enabled to 'Call-In' decisions.

13.25. Paragraph 18.2 TVCA Constitution

18.2 (b) For the purposes of the Forward Plan, a "key decision" means a decision of a decision maker, which in the view of the Combined Authority's Overview and Scrutiny Committee, is likely to:

• result in the Combined Authority or the Mayor incurring significant expenditure, or making significant savings, having regard to the Combined Authority's budget for the service or function to which the decision relates; or to be

• significant in terms of its effects on persons living or working in an area comprising two or more electoral wards or divisions in the Combined Authority's area.

13.26. However, it is understood that many of the decisions which have been taken by STDC or TVCA haven't been recorded as Key Decisions because they were deemed to fall outside of the definition or were considered to be confidential due to commercial sensitivity. This combined with the Monitoring Officer's overly restrictive interpretation of the O&S remit has fundamentally undermined the ability of the O&S committee to exercise its functions in respect of decisions relating to the Teesworks Project. The Panel would also question whether confidentiality is a valid reason for decisions not to be seen as Key as they should still be open to scrutiny albeit confidentially.

Audit & Governance Committee

13.27. Paragraph 84 of the TVCA Constitution provides for an Audit and Governance Committee:

"..for the purposes of assuring sound governance, effective internal control and financial management of the CA, and that the CA observes high standards of conduct in public office."

13.28. The Panel noted that the TVCA Audit and Governance Committee had, on a number of occasions, requested regular assurance reports be brought relating to STDC but the reports seen on agendas were more information giving rather than assurance. It was also noted that the Committee meetings do not follow a regular cycle with sometimes lengthy gaps of 6 months or more between meetings. At its July 2023 meeting the Committee recognised that it needed an additional meeting each year and to adopt a regular cycle.

Office of Tees Valley Mayor

13.29. TVCA held its first mayoral election in May 2017 at which Ben Houchen was elected as its first Tees Valley Mayor. He was subsequently re-elected Mayor on 6th May 6, 2021, for a further 3-year term. The mayoral model is based on that of the Mayor of London Mayor and Greater London Assembly but with some fundamental differences.

South Tees Development Corporation (STDC)

13.30. The legislation establishing Mayoral Development Corporations is found in Chapter 2 of the Localism Act 2011[25] (as amended/modified the Tees Valley Combined Authority (Functions) Order 2017) and was originally drafted for application to the Mayor of London. The adaption of the legislation is achieved in a convoluted way which requires that the original text is, in places, read so as to substitute different text. For example, 'TVCA' is substituted for 'Mayor of London' and 'Development Corporations' (DC's), are read as 'Mayoral Development Corporations'[26].

13.31. This approach isn't user friendly and includes an additional convolution in Article 5 of the 2017 Order which lists functions of TVCA which are **'exercisable only by the Mayor'**.

13.32. Development Corporations are established under S.198 Localism Act 2011 (LA 2011) which requires that the Secretary of State must establish a DC if they receive notification of designation from a Combined Authority Mayor under S.197(1) (LA). The STDC (Establishment) Order came into force on 1st August 2017.

13.33. The object and powers of a DC are found in S.201 LA 2011 and include:

1) The object of a DC is to secure the regeneration of its area.
2) The DC may do anything it considers appropriate for the purposes of its object or for purposes incidental to those purposes.

13.34. DCs are used by CAs as vehicles to deliver projects initiated by the Mayor and CA associated with specific geographical areas. DLUHC officials advise that it was never the intention of the legislation that the Mayor would Chair the MDC but acknowledge that the legislation does not preclude this.

13.35. Amongst other things, DCs may:

- Acquire, develop, or regenerate land. S.206 LA 2011
- Provide infrastructure or buildings. S.205 LA 2011
- Take on the role of the planning authority for the area that it covers. S.202 LA 2011 (The function is that of the CA but reserved to the Mayor)
- Adopt private roads
- Make compulsory purchase orders. S.207 LA 2011 (with consent from the Secretary of State and the CA)
- Carry on any business or acquire interests in bodies corporate. S.212 LA 2011 (with consent of CA)
- Provide financial assistance to any person. S.213 LA 2011 (with consent of the CA)

STDC Governance Provisions Including Relationship with TVCA

13.36. The governance arrangements of STDC are derived from a number of sources including statute, regulations and in both TVCA and STDC Constitutions; there is some duplication of references. Collectively, they provide a comprehensive framework but in places it lacks clarity and is subject to different interpretations. The STDC is a corporation but doesn't

[25] Localism Act 2011 S.198.

[26] See Article 4 and Schedule - Tees Valley Combined Authority (Functions) Order 2017

fall within the category of bodies to which the TVCA may delegate its functions under S.101 Local Government Act 1972

Statutory Officers

13.37. According to Addleshaw Goddard advice[27], it is the requirement that STDC appoint a Group Chief Executive and the TVCA Director of Finance shall fulfil the role of STDC Director of Finance and Resources, although the Panel note this is not common practice in all CAs. The designation of Monitoring Officer for the TVCA shall apply as if STDC were a Committee of TVCA[28]. It is noteworthy that although STDC isn't a 'committee' of TVCA the statutory provision requires that the TVCA's Monitoring Officer shall act as though the STDC was a committee of TVCA and accordingly have the same powers and obligations as would be applicable in the context of a Local Authority, i.e., oversight of decision making to ensure legality and the promotion of ethical conduct.

STDC Board Membership

13.38. The Chair, Vice Chair and Board of STDC shall be appointed by TVCA following a proposal by the Mayor. (STDC Constitution para 10)

13.39. Board members shall be appointed following an open and transparent process in accordance with best practice in public appointments. (STDC Constitution Para 12).

13.40. Paragraph 97 of the TVCA Constitution provides that the Mayor shall make proposals to TVCA Cabinet to appoint the Chair and Members of DCs. Amendments to the STDC Constitution must be approved by TVCA Cabinet. (para 98 TVCA Constitution).

Statutory Powers of Oversight

13.41. S.202-221 LA 2011 and Schedule 21 of the LA 2011 set out various powers/functions which STDC may potentially exercise, some of which are subject to the requirement for '**consent'.** The legislation was originally drafted for application in the context of the Mayor of London but it is 'modified' by the TVCA (Functions) Order 2017 for application in the context of the TVCA, its Mayor and the STDC. There has been some confusion as to whether the 'consents' required under S.209, 212 and 213, should be granted by the TVCA or the Mayor and this may have arisen from the mechanism by which the original legislation is modified by the Order to apply to TVCA and Mayor.

In 2018 STDC received advice from Addleshaw Goddard on the nature of these powers and the requisite 'consents' confirming that the TVCA was the relevant 'consenting' body. (N.B. In Oct 2023 STDC sought counsel's advice on the extent to which STDC's autonomy was limited by the oversight of the TVCA and amongst other things this advice reiterated the view of Addleshaw Goddard i.e. the power of 'consent' in this context lay with the TVCA).

However, at different points during the passage of decision-making it appears that TVCA/STDC have adopted different interpretations of the 'consent' provisions. For example, in respect of the JV 50/50 decision, the following extract from the report to the TVCA Cabinet states that the TVCA is the body which is empowered to grant consent.

[27] Project Herrington – Addleshaw Goddard Advice 24 August 2018 Michael O'Connor Partner

[28] STDC Constitution Para 24-26 and s.7 of the Tees Valley Combined Authority (Functions) Order 2017.

"The Schedule to the Tees Valley Combined Authority (Functions) Order 2017 modified the provisions of the Localism Act for STDC, as the Act was originally drafted to provide powers to the London Mayor. Paragraph 1(3) of the Schedule provides that whenever the Localism Act states "the Mayor", for STDC it should read "the Combined Authority.

These provisions mean that when, for example, STDC wants to form a body corporate or grant financial assistance "..with the consent of the Mayor..", for STDC it means consent of the Combined Authority to do so."

Report to TVCA Cabinet 13th March 2020

Whereas in contrast, the decision in 2021 to restructure the JV into a 90/10 configuration appears to adopt the alternative interpretation that the Mayor is the relevant body empowered to give 'consent'. The following extract from the decision notice dated 30-11-21 confirms the alternative interpretation.

Decision 2:
Mayoral decision to dispose of CPO land

Localism Act 2011 prescribes certain restrictions in the disposal of land by a Mayoral Development Corporation. Specifically, Section 209(3) may not dispose of compulsorily purchased land without the express consent of the Mayor. Accordingly, the Mayor's consent is specifically requested to allow the transaction to proceed.

Decision 3:
Mayoral decision to dispose of land at an undervalue (if applicable)

Localism Act 2011 prescribes certain restrictions in the disposal of land by a Mayoral Development Corporation. Specifically, Section 209(1) may not dispose of land for less than best consideration which can reasonably be obtained unless the Mayor consents. The Mayor will note the valuation set out at Annex A.

Delegated decision No. STDC04-2021 30-11-21

The Panel note that there have been different interpretations of this important legislation and whilst the Panel does not purport to provide legal advice, it has formed the view that the Mayor and TVCA should reassure themselves that their interpretation in this regard is legally sound and consistently applied. The Panel also concluded there would be a benefit from the issue by DLUHC of guidance as to its interpretation.

13.42. The following are the key provisions relating to "Relevant Consents" for specific types of decisions:
S.219(1) LA 2011, imposes a requirement of 'consent' for disposing of land at less than best consideration.
S.212(2)(b) LA 2011, requires consent to acquire interests in a company.
S.213(1) LA 2011, requires consent to give financial assistance to any person.

13.43. A TVCA Officer with delegated authority via the scheme of delegation would in appropriate circumstances be able to give 'consent' on behalf of the Mayor.

13.44. The purpose of the consent provisions is to provide some oversight on the actions of STDC. However, in the context of TVCA, due to the fact that the same officers occupy the senior roles in both TVCA and STDC and the Mayor is the Chair of the TVCA and STDC Board, the Mayor may find themselves in the position of providing consent for their own proposals.

13.45. The Panel have found only limited evidence of formal adherence to the consent requirements, as there is generally no audit trail of consents having been given.

13.46. The view of the Statutory Officers is that STDC had a high degree of autonomy from TVCA and for the large part there was no requirement to seek approval from the TVCA. There were also concerns expressed about the wider dissemination of information which was regarded as commercially sensitive.

Provision for the Oversight of STDC by TVCA

13.47. The following is an extract from advice received by STDC/TVCA from Addleshaw Goddard solicitors in August 2018[29] which advises on powers available to the Mayor and STDC but also the extent by which the powers are intended to be 'curtailed' by the oversight of TVCA and the provisions in TVCA and STDC Constitutions.

4.6 All of STDC's powers are subject to:

a) the provisions of its constitution, including the overriding objectives contained therein, which are:

(i) 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;

(ii) to attract private sector investment and secure new, additional, good quality jobs, accessible to the people of the Tees Valley;

(iii) to transform and improve the working environment of the Corporation area, providing good quality, safe conditions for the workforce and wider community; and

(iv) 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; and

(b) any directions to STDC as to the exercise of its functions issued by TVCA (see section 220 of the Amended Localism Act). STDC must comply with any such directions for the time being in force. We understand that there are no such directions currently in force.

4.7 Under section 219 of the Amended Localism Act, TVCA may also issue guidance to STDC on the exercise of its functions. STDC must, in exercising its functions, have regard to any such guidance for the time being in force. We understand that there is no such guidance currently in force.

………………..

4.19 The Finance Director of TVCA must also fulfil the role of Finance Director of STDC (as such, see provisions relating to the Finance Director as set out above).

4.20 The responsibilities of the Finance Director include:

[29] Project Herrington – Addleshaw Goddard Advice 24 August 2018 Michael O'Connor Partner

(a) overseeing the interface between the financial responsibilities of TVCA and STDC, to ensure the financial integrity of both organisations;

8 Discussion

8.1 The governance regime and framework relating to TVCA and STDC is comprehensive and highly regulated. The powers of TVCA, the Mayor and STDC are wide ranging and, in the case of STDC, contain specific powers designed to support STDC's key objective of securing the regeneration of the South Tees area.

However, the exercise of STDC's powers, are curtailed by the requirement for referrals to TVCA in respect of any matter which:

(a) involves a CPO;

(b) involves acquiring an interest in or forming a body corporate (this would include the acquisition of the Shares); or

(c) may result in a significant risk of:

(i) a financial liability;

(ii) a statutory liability; or

(iii) an environmental or criminal liability to TVCA or its constituent authorities.

Most of the options referred to in this Report would involve some element which would require TVCA consent and/or referral before STDC could make a final decision.

13.48. The advice confirms that the consent requirements also apply to a number of other actions including the provision of ‘financial assistance’ and the disposal of land at less than best consideration.

13.49. The advice confirms that, although STDC is a distinct legal entity, the legislative framework within which it operates provides that it should be subject to close oversight by TVCA through a variety of controls.

Annual Reporting

13.50. Legislation[30] also imposes a requirement on STDC to produce an annual report on how it has exercised its functions during the year including an audited statement of accounts, to be provided to TVCA. In order that TVCA can properly undertake its oversight function this report should include all the key decisions undertaken in order that TVCA members are fully and formally informed about the detailed activities of STDC. However, the reports as reviewed by Panel members give only general information as to progress and do not identify key decisions.

TVCA Constitution -

Matters to be Referred Back to TVCA Cabinet[31]
The TVCA Constitution includes specific requirements relating to financial implications for the TVCA arising from an STDC proposal:-

[30] Localism Act 2011 Schedule 21 S.10(1)
[31] Para 93 TVCA Constitution December 2020/para 85 TVCA Constitution September 2023

“Any financial implications for the TVCA arising from a DC decision shall require Cabinet agreement through the arrangements for financial decision-making set out in the TVCA constitution.”

In addition[32], it further provides:-

“Referral Decisions by the Development Corporation (defined as any decision or issue at the Development Corporation which may result in a significant risk of a financial, statutory, environmental or criminal liability to the Combined Authority or to any or all of its Constituent Authorities) shall require approval by the Cabinet prior to the implementation of any such decision by the Development Corporation.”

STDC Constitution[33]

Paragraph 34
The STDC Constitution provides as follows:-

> *“The Combined Authority may give the Corporation general or specific directions or guidance in relation to the exercise of any of the Corporations functions. The Corporation must comply with any directions given by the Combined Authority that are in force (s220 Localism Act 2011) and must have regard to any guidance issued (s219 Localism Act 2011).”*

There is no evidence that TVCA members were informed of or otherwise aware of this provision which could, in theory, enable TVCA to require more detailed information about the activities of STDC.

Paragraphs 30-38 – Referral Decisions
The following extract from the STDC Constitution reflects the TVCA Constitution by implementing a requirement that any proposed decision of STDC which gives rise to potential liability for TVCA or any of its constituent authorities must be referred to TVCA for consideration.

> *“30. The STDC Board shall be responsible for identifying 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 or to any or all of its Constituent Authorities (“a Referral Decision”) and shall refer such decisions or issues to the Combined Authority for agreement before such liabilities arise, and prior to the implementation of any such decision.”*

The decision to refer is one for STDC Board members but the statutory officers are obliged to advise STDC Board as to when a Referral Decision may be required. From discussions with the Chief Executive and the Monitoring Officer it was apparent that there was a difference of opinion between Panel Members and TVCA Officers as to the circumstances which would warrant referral to TVCA for approval. The decision to change the 50/50 JV to 90/10 provides an example. The Decision Notice records that the “Statutory Officers” advised that it didn’t meet the threshold for Referral. The Panel reached a different conclusion. N.B. The decision notice wasn’t signed off by the

[32] Para 99 TVCA Constitution December 2020/para 91 TVCA Constitution September 2023
[33] V9 September 2023

Monitoring Officer and instead the letters “N/A” were printed in the relevant signature box.

Tees Valley Assurance Framework (TVAF)

13.51. The TVAF is an overarching document produced by TVCA which provides additional detail about the governance arrangements for TVCA and amongst other provisions, includes the following:

“The Constitution therefore provides for the Mayor's role to be embedded in the Combined Authority collective decision-making arrangements.” (TVAF Para 3.10)
“The Processes and procedures will:-

- Ensure an appropriate separation between project development and project appraisal.
- ………. “

(TVAF Para 4.1)

13.52. The TVAF sets out a rigorous and disciplined approach to the assessment of proposals by requiring business cases to be provided for each proposal and in a set format. (See TVAF Paras 4.14 – 4.23).

“4.29 The key objective of the TVAF is to support the Combined Authority to make judgements about the VFM of potential investments and to accept or reject investments accordingly.” (TVAF para 4.29)

13.53. The Tees Valley Management Group comprises the TVCA Senior Leadership Team (Chief Executive and Directors) and the Directors of Economic Growth/Regeneration of the Constituent Authorities. The group meets twice a month and has an oversight role of the work of TVCA. It is unclear whether the initial JV or subsequent 90/10 proposal was shared with this group.

English Devolution and Accountability Framework 16 Mar 2023

13.54. The Devolution and Accountability Framework was published by DLUHC in March 2023 sets out how mayoral combined authorities will be scrutinised and held to account by the UK Government, local politicians, business leaders and by the residents of their area. It provides a clear steer on the importance of openness and transparency in the context of Mayoral Combined Authorities and reiterates the requirement for effective Overview and Scrutiny Committees. It is a benchmark against which TVCA, The Mayor and STDC should assess themselves. The following extracts provide an indication of the aspirations contained within.

"Foreword
The accountability system described in this framework acts as a safeguard against unethical behaviour, inadequate performance and poor value for money for the local taxpayer by placing a focus on transparency and scrutiny. It will ensure that local councillors are empowered to provide effective scrutiny through a new Scrutiny Protocol. And that local media and residents are able to hold leaders and institutions to account with accessible information about their role and performance of the leaders through plain English guidance and published outcomes showing the progress areas have made. It will improve the decision-making process and allow greater progress in delivering levelling up to all areas that have agreed devolution deals."

"The English Devolution Accountability Framework is structured around the 3 key forms of accountability:

- *local scrutiny and checks and balances*
- *accountability to the public*
- *accountability to the UK government"*

"Providing Appropriate Scrutiny
"2.20. The Scrutiny Protocol will focus on ensuring that each institution has a sustained culture of scrutiny. Membership on committees should be prized and competed for. Retention of members for several years should be common. Members should be able to devote the time to the role. And the committees should have the profile and cachet to ensure that their findings are brought to the attention of the public wherever necessary.
2.21. Committees should have easy access to relevant data to support their role. They should be supported by a well-resourced team of clerks, regular training opportunities and access to research and analysis capability."

Confidentiality

13.55. An extract from the Local Government Transparency Code 2015 which is cited in the Tees Valley Assurance Framework.

"Commercial confidentiality
20. The Government has not seen any evidence that publishing details about contracts entered into by local authorities would prejudice procurement exercises or the interests of commercial organisations, or breach commercial confidentiality unless specific confidentiality clauses are included in contracts. Local authorities should expect to publish details of contracts newly entered into – commercial confidentiality should not, in itself, be a reason for local authorities to not follow the provisions of this Code. Therefore, local authorities should consider inserting clauses in new contracts allowing for the disclosure of data in compliance with this Code."

TVCA Scheme of Delegation to Officers

13.56. As with other organisations it is essential for local authorities to provide for the exercise by its officers of decisions on behalf of the authority and schemes of delegation are the instrument through which this is recorded. They form a key part of the governance architecture and usually provide broad delegations to the most senior officers but set limits by way of reservations, requirements to consult and/or financial thresholds. Due to the nature of local authority functions it is also common to find reservations on the basis of potential impact upon local communities or likelihood of political controversy.

13.57. TVCA's scheme of delegation for officers is found at Appendix iii of the TVCA Constitution and contains much that is familiar in this context including broad delegations to senior such as the following to the CEO:

"HPS4: To take all action which is necessary or required in relation to the exercise of any of the Combined Authority's functions or the functions of the Mayor (other than those functions which by law can be exercised only by the Combined Authority or by the Mayor), having regard to the Combined Authority's or Mayor's approved plans, policies or strategies and the Combined Authority's budget, and all enabling legislation."

13.58. However, there is an absence of financial thresholds or reservations for politically sensitive or controversial matters. Although this may facilitate agility/ease of decision-making it risks undermining the necessary and appropriate political oversight/accountability for decisions. There is a risk that officers will, for reasons of expediency, be tempted to use the permissive delegations to the full extent whereby scrutiny of decisions would be significantly reduced. When combined with a culture of unwarranted levels of confidentiality, transparency and therefore accountability, will be impaired.

Consideration whether the governance provisions met in reality

13.59. As confirmed by Addleshaw Goddard and Counsel, the combination of the legislative requirements and the provisions arising from TVCA and STDC Constitutions makes it clear that the intention is for TVCA and the Mayor to have close oversight of STDC and its activities with the ability to issue mandatory guidance and/or directions to STDC and requirements that STDC shall seek the Mayor's (or TVCA's) consent before acting.

13.60. The expectation of such levels of governance and accountability is understandable given the large sums of public money being put at the disposal of STDC and the risk profile of its activities. Any liability arising from STDC is, in default, likely to sit with TVCA which is another reason why access to information for TVCA members is an important democratic safeguard and this is certainly the case if STDC is unable to repay the long term loans advanced by TVCA.

13.61. At the time of the 50/50 JV and 90/10 JV decisions the legal advice under which STDC was operating identified the requirement for TVCA consent for specified actions by STDC. In the event TVCA consent wasn't specifically sought for the 50/50 JV nor for the move to 90/10. The need to enable wider democratic scrutiny of the actions it was proposing to take. This is particularly important given the small group of senior officers and the Mayor, who were required to wear several hats due to their multiple appointments. This gives rise to a risk of 'group think' due to the absence of challenge. The Panel members formed the opinion that the practice of decision-making around the significant decisions fell short of what was envisaged in the governance framework and what would be considered best practice in the context of this project.

13.62. TVCA/STDC Officials commissioned legal advice in respect of the above matters and the related issue of where ultimate liability rests. The following are some extracts from that advice[34].

15. A Mayoral development corporation is a public authority.

16. A corporation is given a very broad power to do anything it considers appropriate for the purposes of its object (the regeneration of its area) or for purposes incidental to these purposes (s 201). Specific powers of a corporation are in ss 206 – 210 of the 2011 Act. The specific powers are also to be exercised for the purposes of its object and for purposes incidental to its purposes. Some specific powers are qualified and need in certain circumstances, the consent of the Combined Authority. For example, disposal of land for less than best consideration (s 209(1)), formation of business and subsidiaries and the financing thereof (s 212) and the provision of financial assistance (s 213). Consent by the Combined Authority may be given unconditionally or subject

[34] **Leo Charalambides** Counsel - 9th Oct 2023

to conditions and may be given generally or specifically (s 221(1)) and may be varied or revoked (s 221(2)).

18. …………..I am of the view that the effect of these amendments is to support and enhance the review and guidance of the Corporation by the Combined Authority and assist in the reporting of the actions of the Corporation to the Combined Authority. (The statutory monitoring is bolstered by the Constitutional arrangements for a Referral Decision (see below)).

23. In summary a Combined Authority creates a Mayoral development corporation; it keeps the existence of the corporation under review and ensures that the corporation is assigned a monitoring officer who reports thereon. The Combined Authority has a supervisory function in that certain functions of the corporation need the consent of the Combined Authority. The Combined Authority gives guidance and may issue directions which must be followed. The Corporation is monitored by the Monitoring Officer of the Combined Authority.

24. In summary a Mayoral development corporation is an independent legal body; it is not a committee of the Combined Authority. As a public authority it has a relationship with the Combined Authority that created it and exercises its functions within its aims and objects. Like other public bodies a corporation is reviewed and monitored by the Combined Authority and its monitoring officers. Despite having broad powers certain decisions are subject to consent (in effect supervision) by the Combined Authority. The corporation must also have regard to any guidance issued by the Combined Authority and must comply with any directions made by it.

36. There is significant overlap between the members of the TVCA and the board of the STDC; the STDC constitution requires collaboration and co-operation between it, the TVCA and its constituent members. There is evidently scope for a blurring of boundaries where persons and bodies overlap. It is, therefore, essential, that the clear legal independence of the STDC is clearly understood and observed.

13.63. During the evidence gathering the Panel members have sought to compare the governance framework as envisaged with the reality of what happens in practice. There is little evidence of STDC referring to or seeking consent from TVCA Cabinet on matters that would appear to fall within the relevant categories or due to their nature might reasonably be regarded as of legitimate interest to TVCA members.

13.64. This was reflected in concerns raised by some interviewees as to what they perceived as the lack of information made available to them regarding the detailed activities of STDC and TWL. There was no evidence of advice having been provided to TVCA members regarding the extensive powers available to TVCA to compel STDC to share information. In contrast the evidence indicates a lack of information being shared with TVCA and a collective view that STDC may act largely independently of TVCA and without public accountability. There was a view amongst officers and Councillors of the constituent authorities that there was no risk of liability to them and as such the level of scrutiny afforded was aligned with the perceived risk.

13.65. An example of what appears to be a persisting theme or culture of excessive confidentiality/lack of transparency is highlighted by the stances adopted with the Overview and Scrutiny Committee which was advised by the Monitoring Officer in 2021 that the committee's remit didn't extend to STDC. The examples of declined FoI requests has also provided further evidence of a tendency towards unwarranted levels of confidentiality. We also understand that scrutiny members do not have access to confidential cabinet reports so are unaware of when cabinet is taking decisions relating either to TVCA itself or STDC.

14. Decision making in respect of the JV

Summary of the initial proposed JV Deal between STDC and the JV Partners

14.1. The JV Partners proposed a deal with the Mayor whereby in return for STDC entering into a 50/50 JV agreement with the JV Partners (involving a 50% stake in the value to be derived from the subsequent re-generation/development of the Teesworks site and the grant to JV Partners of options over the land), the JV Partners would use their RBT Option as leverage to negotiate a Settlement Agreement with SSI whereby it would withdraw its objection to the Compulsory Purchase Order in return for 300 acres of its land and surrender of the RBT Option.

14.2. Although not specifically obliged to do so, the JV Partners also offered their knowledge and expertise in support of the project.

14.3. The potential benefit/value for the JV Partners was to be derived from the following sources:-

i) The increase in the value of the land resulting from demolition and remediation and identifying potential tenants – i.e. the difference in the cost of STDC acquiring the land and the sale price/income stream of the land when sold/leased. Under the Option Agreement TWL were granted options to purchase covering all the land within the site.

N.B. The mechanism for distributing this value to the Partners initially involved a Commission Agreement which provided for the payment of a fee to the partners via a separate company amounting to 50% of the uplift in land value from the 'Base Value' to the 'Market Value' at point of exercise of their option. TWL would then realise its profit through onward sale of the land the payment for which would constitute a profit. As part of the change to the JV 90/10 arrangement, (August 2021), this mechanism was changed in that the Commission Fee Agreement was removed but the land was transferred to the Partners at Nominal value, i.e. £1, thereby enabling the transfer of the uplift but at a minimal transaction value. Counsel had advised that the Commission fee payment as drafted was a breach of Subsidy Control requirements because part of the uplift arose from public sector investment in remediation and demolition and this should be discounted in any Commission fee calculation.

ii) The value of recyclable materials on the land, (e.g. steel, aggregates estimated at £120m)

N.B. It should be noted that the establishment of new industrial premises on the regenerated land would also give rise to Business Rate income to the public purse.

14.4. TWL, (originally named South Tees Enterprise Ltd STEL) was the corporate vehicle to be used to encapsulate the JV between STDC and the JV partners. Initially, the risk/reward mechanism was a 50/50 division of shares.

14.5. The functional purpose of TWL is described as follows:-

> *"The role of STEL/Teesworks is to direct the deliverability of the land, to accelerate the process whereby the land becomes development and market ready rather than unsaleable as at present and to drive up the realisable value of the land from what are low or nominal base values."*
> *(Para 1.7 Lytollis)*

Establishment of Joint Venture between STDC and the JV Partners

JV Arrangement

14.6. As regards the JV Partners engagement on the Teesworks project, there was no formal procurement process, the rationale being that the JV Partners were in a unique position due to their having an option over the RBT Land. Both the Mayor and the Chief Executive explained that there was no negotiation as the JV Partners proposal was 'take it or leave it'.

14.7. The JV partners were already parties to an existing joint venture with TVCA which related to the development of the land surrounding the Teesside Airport. It is understood that the process of selection and appointment as JV partner for the Airport project was similar in that it didn't utilise a public procurement methodology or process.

14.8. The structure of the Teesworks JV arrangement was straightforward in that it involved the use of a company owned by the JV Partners, South Tees Enterprise Ltd (STEL), which issued and transferred shares to STDC in order to create a 50/50 shareholding between STDC and the JV Partners. A shareholder agreement between the JV Partners and STDC was entered into which amongst other things noted that the business of the JV Company was[35]:-

> *2.1 The business of the JVC is the development and commercial exploitation of land south of the River Tees broadly contiguous with the South Tees Development Corporation boundary.*
>
> *2.2 Each party shall use its reasonable endeavours to promote and develop the business to the best advantage of the JVC.*

14.9. For completeness, it is noted that in 2019 the Mayor/STDC had been approached by another developer with a joint venture proposal, Able Ports Limited - a large land-owner with interests in ports along the North Coast. The offer was considered by the STDC board on several occasions on one of which KPMG presented a summary of Able Ports financial robustness as part of the STDC process of due diligence. However, ultimately, the STDC board rejected the proposal because they weren't convinced that Able Ports had access to sufficient finance to deliver a project of this nature. The Panel is not aware that TVCA

[35] Extract from Shareholder Agreement 2020-03-13

were at any stage made aware of this alternative proposal or advised of the decision not to pursue.

14.10. The Mayor considered the proposal and weighed up the options of pursuing the CPO or negotiated settlement with SSI, facilitated by the leverage of the JV Partners' Option. The Mayor took account of the following factors:-

- The risk that CPO would be unsuccessful in whole or part.
- If the CPO was successful the valuations may prove unaffordable for TVCA.
- The CPO process might take too long to enable maximum exploitation of the available public funds or concessions.

14.11. Against that there were the following factors arising with the JV:-

- Loss of control by TVCA/STDC.
- Reduction in financial reward for TVCA/STDC which would offset the significant amount of public money spent to make the site viable and attractive.
- Loss of potential long term income stream from tenants.

14.12. In light of the above, the Mayor concluded that the balance of risk fell in favour of the 50/50 JV and related Settlement Agreement approach. The proposal was considered by the STDC Board at a meeting on 10th February 2020 which gave approval for the Chief Executive to conclude both the JV and the Settlement arrangement. These were separate agreements signed off at different times during February and March 2020.

15. Settlement Agreement between STDC and SSI/Thai Banks SA1 & SA2

15.1. As a result of negotiations in late 2019 and early 2020 between the Mayor, STDC Officers, JV Partners and SSI, the basis of a settlement was formulated whereby SSI would withdraw its objections to the CPO in return for STDC transferring to it 330 acres of the CPO land and the JV Partners RBT Option land to enable it to pursue development of the Redcar Bulk Terminal. The agreement, referred to as SA1 was prepared and signed on 20th February 2020.

15.2. SA1 didn't come to fruition because the Thai Banks, SSI's creditors, didn't agree to the deal. In its place a second agreement (SA2), was hastily negotiated and completed on 14the July 2020. This was a more straightforward settlement which didn't involve the JV Partners RBT Option and provided for the transfer of all of SSI's land to STDC at the cost of £15m.

15.3. The key differences between SA1 and SA2 were as follows[36]:-

"(1) The consideration for the SSI land under the SA1 is a nominal amount whereas STDC pays to the Thai Banks £15m under SA2.
(2) Under the SA1, SSI PCL has options to purchase the Plot 1b and Lackenby land each for the sum of £1. There are no such option agreements under the SA2. This means that under the SA2, STDC receives 100% of the uplift in the Market Value of Plot 1b and the

[36] (Lytollis para 3.50)

Lackenby land which together aggregate to 177 hectares (437.8 acres). DCS is paid the 50% commission.
(3) Under the SA1, STDC undertakes to complete the ground remediation and restoration works of Plot 1b at a cost to STDC of £24m. There is no such obligation under the SA2 and whilst it will still fall upon STDC to remediate Plot 1btthe Corporation will receive 50% of the uplift in the Market Value of 133.5 hectares (330 acres) of land for which it would otherwise have received a nominal £1 under the SA.".

Decision Making – Joint Venture Arrangement and Settlement Agreement 1 (SA1)

15.4. The proposed CPO of Tata and SSI land and its regeneration for development had emerged in 2017 and on the 25th July 2018 the STDC Board had resolved to make one or more CPO for this purpose.

15.5. On 24th January 2019 the TVCA Cabinet approved £56m funding for land acquisition and investment plan support for STDC.

15.6. On 29 January 2020 the Chief Executive verbally reported that an alternative approach had emerged which might mitigate some of the risks identified in respect of the CPO process such as the potential for delay and objections such as that raised by SSI/Thai Banks.

15.7. The new approach had arisen following a proposal from Chris Musgrave and Martin Corney to the Mayor and the Chief Executive, suggesting that they may have commercial leverage over SSI which would enable a mutually agreeable settlement to be reached.

16. STDC Board Decision Regarding JV Agreement and First Settlement (Agreement SA1)

16.1. On 10th February 2020 the STDC Board considered a written report and purported to grant its approval to the following recommendations:-

- Approves the CPO Compromise Agreement proposed with Sahaviriya Steel Industries UK Limited (in liquidation) and Sahaviriya Steel Industries Public Company Limited and DCS Industrial Limited and DCS Industrial (South) Limited and [Redcar Bulk Terminal Limited]

- Approves the Shareholder and Subscription Agreement for South Tees Enterprise Limited ("the Joint venture" or "STE") and the associated purchase by South Tees Development Corporation of 50% equity stake in STE and approves all necessary related documents that give effect to the operation of the Joint Venture;

- Approves the Shareholder and Subscription Agreement for DCS industrial (South) Limited (DCSIS) and the associated purchase by South Tees Development Corporation of 100% equity (this entity will hold the former SSI land/assets) and approve all necessary related documents that give effect to the operation of this acquisition;

- Approves the option agreements in respect of all STDC owned land in favour of STE;

- Approves the land transfer of all freehold land interest currently within South Tees Developments Limited (former Tata Steel Land) to STE;

- Approves the move towards transition and local ownership of the STSC once the financial details of the relevant business cases are finalised and subject to the confirmation from the Secretary of State that BEIS will retain responsibility for funding the decontamination project that removes the Top Tier COMAH status from the site;

- Approves the entering into the Management Agreement with STSC in substantially the same form at the current Agreement;

- Approves the initial development costs up to £2.3m in respect of South Bank Wharf to conduct the preparatory work to support obtaining the necessary consents, permissions and approvals from external parties to develop quay facilities and associated land requirements. Any further proposals on the financing of the Quay and associated Business Case would be brought back to Board for consideration and approval; and

- Delegates authority to the Chief Executive Officer, Director of Finance and Resources and the Chair of the Board to complete all the necessary approvals to give effect to the transactions set out in this report.

16.2. In this context there are a number of concerns regarding the content of the report and the nature of the proposed approach to the decision-making process. The approvals being sought from STDC concern the settlement agreement SA1 and the Joint Venture arrangements which between them have significant implications for STDC, its future revenue streams and land it holds as a public authority for public benefit. These agreements require the transfer of ownership of CPO land and the acquisition by STDC of company shares.

16.3. The report itself, which is comprised of 14 pages including appendices, didn't include any specific legal advice regarding the proposed arrangement and in particular the potential for State Aid and the implication of the Public Contract Regulations which were binding on STDC as a public body. The potential for these issues had been raised by the then current legal advisors to STDC. The report noted that legal agreements were in the process of being drafted and would be made available to STDC Board Members if requested.

16.4. As the extract from minutes of the meeting record show, the STDC Board purported to have 'Approved' both of these transactions.

> *"RESOLVED that: The Board agreed unanimously to the Compromise Agreement, Joint Venture and related documents and delegated authority to the Chief Executive, Director of Finance and Resources and Chair of the Board to finalise negotiations of these agreements and enact them as required."*

16.5. In 2018 Addleshaw Goddard advised STDC that, in respect of certain types of decision, including acquiring an interest in a company, its powers were conditional on obtaining the consent of the TVCA. (See para 13.46 above). This view was reiterated by Leo Charalambides, counsel who advised STDC in October 2023. The relevant part of his advice is found at paragraph 16, (09-10-23), as follows

> *"Some specific powers are qualified and need in certain circumstances, the consent of the Combined Authority. For example, disposal of land for less than best consideration*

(s 209(1)), formation of business and subsidiaries and the financing thereof (s 212) and the provision of financial assistance (s 213). Consent by the Combined Authority may be given unconditionally or subject to conditions and may be given generally or specifically (s 221(1)) and may be varied or revoked (s 221(2)).”

16.6. The effect of the advice is that, without the consent of the TVCA, the STDC Board itself, doesn’t have the power/authority to agree the SA1 settlement agreement or the Shareholder Agreement and associated documents. As such the Board’s purported decision on the 10th February 2020 was only provisional in nature.

16.7. As explored more fully below, at its meeting on 13th March the TVCA Cabinet was asked to consider a report relating to the issues mentioned above. The Officer recommendation was for the TVCA to relinquish its power of ‘consent’ by delegating it to the STDC in respect of the acquisition of shares by STDC.

16.8. However, there is a further development in this aspect of the review which arose late in the day due to clarification being sought by the Panel from DLUHC as to its interpretation of the relevant ‘consent’ provisions arising from the ‘modified’ Localism Act 2011. On 7th December 2023 DLUCH officials confirmed the department’s view that it was in fact the Mayor who held the power of ‘consent’ and not TVCA. There was agreement that the method by which the legislative framework for this Mayor and Combined Authority is created by ‘modifying’ legislation on which the Mayor of London is founded, is convoluted and prone to differing interpretations, as to which the present circumstances attest. It is far from user friendly and would benefit from revision to improve its clarity.

16.9. As regards the content of the report to STDC Board there is no mention of the alternative offer from Able Ports although discussions with them had been ongoing for some months. Nor does it contain any analysis of the estimated value that will be transferred to the JV Partners as a result of the establishment of the JV. There is no reference to the potential value of scrap and other recyclables on the land which have subsequently yielded over £100m of value to date. There was no reworking of the financial model to recognise the impact of the JV.

16.10. The explanation of the JV omits to cover important details such as the absence of any obligation on the part of the JV partners to input any funding or deliver any outcomes. There is no Partnership Agreement setting out the obligations of the partners.

16.11. There is no explanation of the land options to be granted to the JV Company (TWL) as part of the Joint Venture arrangement. These are of fundamental importance for the deal because they grant an exclusive right for the JV partners to acquire all or parts of the site over a 30 year period. The Options were granted at nominal cost and as originally drafted were exercisable at market value. These options are significant in their extent and effect. The intended outcome was that any uplift in value of the land would be shared 50/50 between STDC and the JV Partners.

16.12. Entering a Joint Venture Deal of this nature and potential value was a very significant step for STDC which would have long term financial implications due to the fact that 50% of any value to arise from the project would be diverted from STDC to the JV and/or the JV Partners separately. Remediation work would still be funded by STDC and as such TWL would benefit from the substantial amounts of publicly funded assistance which would be deployed to clear and remediate the site and make it more developable and therefore more valuable.

16.13. This is not to say that there weren't credible reasons for taking such a course of action but in a situation where there is such a significant change in plan at a relatively short notice it would have been appropriate to provide a more detailed explanation/analysis of the impacts and assurance in the form of clear and full legal and financial advice as to the risks and safeguards. The report notes that the legal documents were being prepared and copies could be made available in due course if requested.

TVCA Cabinet

16.14. On 13th March 2020, the Director of Finance and Resources, submitted a report to the TVCA Cabinet described as a 'Compulsory Purchase Order and Joint Venture Partnership for South Tees Development Corporation'. In contrast to the report on a similar subject submitted to the STDC Board on 10th February, the report to the TVCA Cabinet occupies just two sides of A4 and states that it has been produced to 'update' the TVCA Cabinet notwithstanding that this was the first time the TVCA had formally been made aware of this proposal.

16.15. The recommendations on page 2 of the TVCA report as set out below seek approval for STDC to enter the JV by subscribing to shares of the JV Company and secondly recommends that TVCA delegate to STDC, its 'consent' powers under the Localism Act 2011, in respect of STDC. As noted above the accepted interpretation at that time was that TVCA held the power to consent. As such this was a counterintuitive approach because if agreed, STDC would have the power of consenting to its own proposals and this would have had the effect of limiting TVCA oversight of STDC. However, under the recently shared DLUHC interpretation the power of consent sits with the Mayor and as such it is the Mayor who should have formally consented to the STDC's acquisition of shares and other aspects of the JV 50/50 arrangements such as disposal of CPO land via grant of options and granting financial assistance to TWL via sale of scrap.

16.16. The recommendations were that Cabinet approves as follows:-

i. Cabinet hereby grants approval to STDC to subscribe to shares to give effect to the Joint Venture arrangements designed to enable the comprehensive regeneration of the South Tees Development Area. This shall include consent to exercise the relevant necessary powers within Part 8, Chapter 2 of the Localism Act 2011, including but not limited to the power to provide financial assistance under s213 of the Localism Act 2011, and any other associated necessary actions under s201(2) general powers.

ii. Cabinet is requested to note that there are no financial implications to TVCA as a result of this deal.

Paragraphs 2 and 3 state:

"An agreement has been reached involving multiple parties that sees some of the land being purchased through a pre-agreed value at CPO and other parts through direct agreement. This will allow acquisition of the land to come forward much more quickly than through a standard CPO process, reduce the risk of challenge and ensure the acquisition price at a level well within the budget allocated to STDC.

Consequently, this is not a referral decision by STDC and there are no financial implications to TVCA in the deal."

16.17. Due to the nature of the joint venture arrangements, it is hard to see how the conclusion that these decisions didn't fall within the referral criteria was arrived at. Entering into the 50/50 JV arrangements had a number of significant implications not least of which was the fact that future financial returns to STDC from the site would be reduced by 50% with the other 50% going to the JV and JV Partners and partly paid as tax. In addition, options to purchase all or any of the land comprised in the site were granted to TWL and the JV Partners were entitled to 50% of any land value uplift.

16.18. Under the 'Consultation & Communication' section of the report it states that;

"7. This report provides the consultation and communication with TVCA to support the delivery vehicle aspects of the CPO decision."

16.19. The overall tenor of the report implies that the shift to a JV/settlement model, as opposed to CPO/Settlement, isn't significant but merely part and parcel of the envisaged regeneration project. Given the significant and material impacts arising from the move to a JV/Settlement approach, including that of financial impact due to the sharing of value with external partners, the Panel members were surprised that the report contains so little detailed explanation and implies that there aren't any material implications directly arising from this change in approach.

16.20. The report contains no reference to legal or financial advice and no detailed explanation as to the mechanism by which the JV arrangement/vehicle would operate or how this will affect governance of the project and the distribution of value between the JV Partners.

16.21. A key practical result of entering into the JV is that two or three privately owned companies would likely receive significant financial returns arising from uplift in land value and income from the sale of recyclable materials both of which are directly enabled by publicly funded remediation works. The report would have been more useful in governance terms if it had set out the basis on which the 50/50 surplus share was deemed to constitute value for money and provided a clear statement of the obligations being undertaken by the JV partners in return for their likely financial rewards. It would also have been appropriate to include consideration of any potential State Aid/subsidy control implications.

16.22. The Mayor and senior officers argue that it was a commercially advantageous and astute arrangement which ultimately benefited the public but, in terms of openness, transparency and informed decision-making the process fell short of what would reasonably be expected in the context of local authority decision making and significant public expenditure. The lack of transparency and scrutiny of this nature may have a corrosive effect on public trust which lead to less robust decision making.

16.23. The recommendation as recorded in the minutes and the decision notice is different to that in the report. It purports to provide an extensive delegation of powers to STDC which effectively removes the checks and balances which were understood to be provided by the legislative framework. It isn't clear from the minutes if the changes arose from an amendment but there is a note confirming that the Monitoring Officer proposed an amendment which appears to be seeking to narrow the extent of delegation from TVCA. The result is an ambiguous record which lacks clarity as to the precise extent of the delegation. Additionally, there is doubt as to whether the TVCA was lawfully able to 'delegate' powers to STDC as set out in the minute of the TVCA meeting.

16.24. Approving a recommendation of such significance without any written legal, governance and financial advice isn't good practice because it isn't clear that the decision-makers were properly informed of the consequences of their decision. The Monitoring Officer and other statutory officers should have intervened with a view to ensuring that the decision was clarified and the decision makers properly informed.

16.25. Turning to the TVCA's other checks and balances which included the Overview and Scrutiny Committee, there is no evidence of any scrutiny of this material change in approach by the Overview and Scrutiny Committee. This is at odds with what would be expected for a decision of this nature and scale.

Decision Making – Second Settlement Agreement SA2

16.26. It transpired that the Thai Banks didn't conclude the first settlement agreement SA1 and on 15th May 2020 STDC served a notice of termination.

16.27. In its place a second settlement agreement (SA2) was prepared which was simpler in that it involved a single payment of £15m to SSI/Thai banks to transfer their remaining land holding. The option over RBT land held by the JV Partners became obsolete at this point because SSI/Thai banks no longer had any plan to develop the RBT land and the CPO had been granted.

16.28. The SA2 deal which involved new expenditure of £15m was agreed by written resolution on the basis of a 3-page report circulated to STDC Board Members on 14 July 2020. The second settlement agreement was signed the same day. During interviews, it was apparent that there was a lack of awareness of the second agreement and at least one STDC Board member confirmed they were unaware of a second settlement agreement.

16.29. The Chief Executive's report to the STDC Board held on the 3rd June 2020 makes no mention of the default and termination of SA1 nor the negotiation of and signing of SA2 which had a number of key differences to SA1 including the £15m cost of land purchase.

16.30. The Chief Executive and the Mayor were asked whether any consideration was given to reviewing the 50/50 JV at that point, but they indicated there was no appetite to review. There is no evidence of any discussion or review either formal or otherwise amongst the wider STDC Board Members or TVCA members.

Supplemental Deed V3

16.31. On the 11th June 2020 a Deed entitled 'Supplemental Deed' was signed by the STDC Chief Executive and the JV Partners. The innocuous title and diminutive page count contrasts with the practical impact of this legal document which amends the three option agreements signed in March 2020 which granted options to the TWL over the entire Teesworks site.

16.32. The amendments added wording which provided express permission for the TWL to enter any of the option land and to remove all minerals, aggregates, metals and, equipment and structures and that title to such items passes to TWL on removal from the Property. The effect of this was to transfer to the JV Partners 50% of the value of the recyclable materials.

16.33. The significance of this change isn't fully apparent until the full value of the recyclable materials is known. The indications from the cash flows moving through the TWL which it is understood arise from the sales of the recyclable materials, show the value is in excess of £100m. This is considered to be a conservative estimate of the full value but precise figures haven't been available. Estimates within STDC documents have indicated the full value to be £150m, which means that the Deed had the effect of transferring £75m to the JV Partners.

16.34. In addition, amendments provide that the 'Owner' (STDC) shall not remove from the property or dispose of any of the recyclable materials without the prior consent of the TWL or as directed by the TWL. This is a notable provision because it has the effect of preventing the land-owner (STDC), from removing their own recyclable material from their land without first obtaining the consent of the TWL. On the face of it such a clause is at odds with the spirit of a 50/50 Joint Venture.

16.35. The impact is magnified by the changes to the beneficial ownership of TWL which were set in train in August 2021 and which resulted in STDC transferring 80% of its shares to the JV Partners leaving the ownership as follows STDC: 10% - JV Partners: 90%.

16.36. There is no evidence of any formal decision-making process regarding the signing of the Supplemental Deed and given its financial impact alone (£75m) it should have been taken to the STDC Board for consideration and decision. It is arguable that a referral back to TVCA under the referral mechanism or for consent as Financial Assistance pursuant to S.213(1) LA 2011, was appropriate.

17. Decision-Making re JV 2

17.1. During the summer of 2021, the Chief Executive brought forward a proposal to the STDC board initially by a presentation followed by a report shortly after. In summary, it was proposed to change the ownership of the TWL from 50/50 deadlock company to a 90/10 division of shares in favour of the private sector partners. This proposal, if implemented, would result in a significant change in the JV arrangement to such an extent that it must be characterised as a new arrangement.

17.2. The 50/50 joint venture status was fundamentally altered with STDC relinquishing 80% of its stake in TWL with corresponding reduction in the financial benefits both in terms of revenue and asset value. STDC lost all meaningful control over the running of TWL as it could be outvoted by the JV Partners on all decisions within TWL. The proposed 90/10 model cannot reasonably be characterised as a JV Company in the same sense as the initial JV arrangement.

17.3. Conversely, the proposal resulted in a significant improvement in the financial outcome for the JV partners and they also achieved effectively absolute control of the company to the extent that the JV partners would be able to take almost any decision without the necessity of obtaining the agreement of STDC.

17.4. In addition to the change in ownership and control, the revised model included a change to the valuation of land in in the land options granted to TWL in 2020. As originally drafted and agreed, the options provided for a land value based on market value formula. The amended options substituted the market value for a fixed value of £1. On the face of it this has the potential to significantly increase the financial returns available to TWL and the JV Partners and conversely reduce the proceeds realised by STDC on sale of the land to the JV Partners.

17.5. Due to the variations in the value of parts of the Teesworks sites this fixed valuation is likely to result in sales at less than best consideration. This is acknowledged in the STDC Decision notice dated 26th November 2021 which records that the Mayor provided approval pursuant to S.209(1) LA 2011, for disposal at less than best consideration. However, the legal advice previously received by STDC[37] advised that the TVCA was the consenting body for such transactions for such disposals. As mentioned above, on 7th December 2023 DLUHC confirmed their view that the power of consent for such transactions rests with the Mayor. The question remains as to whether the proposed decision was entered on the TVCA forward plan and whether a decision notice was issued to enable the Overview and Scrutiny Committee to review and potentially exercise Call-In.

17.6. Other related changes include the Commercial Deed re Land Value dated 26th November 2021 which amongst other things provides for the payment to DCS (a JV Partners company), of a fee for unspecified 'marketing services' of up to 50% of the net land value of the GE site. This is to be paid within 7 days of the receipt of the net land value.

17.7. The Commercial Deed re Land Value also provides that in the event TWL undertakes, prior to disposal, any works to make the GE site Development Ready, the Disposal payment shall be reduced by the amount which TWL incurred. This would have the effect of reducing the value paid to STDC for the sale of remediated land to TWL.

17.8. Taken as a whole, the combined changes which comprise what we refer to as JV2 were wide ranging and significantly improved the position of the JV Partners to the detriment of STDC. Because of the obvious potential for this to become a controversial decision it is the Panel's view that in the interests of good governance, transparency and accountability TVCA should have been involved to a greater extent in scrutinising this decision to assess whether it constituted value for money.

17.9. The proposal had been brought to the STDC Board as a presentation on 12th August 2021 and as a report for approval at an extraordinary meeting of the STDC Board on 18th August 2021. The key reason given as the driver for JV2 was the stated need to accelerate the remediation process in order to more fully exploit the tax concessions associated with the Freeport status which had been announced in March 2021. In turn the consequence of acceleration would be a faster depletion of the available public funds for regeneration and, due to the finite nature of public funding, the only source of further funding would be from the private sector.

17.10. The report[38] is based on the assumption that continuing with the existing approach isn't an option and focuses solely on the need to accelerate and transfer to private sector partners option as the following extract demonstrates.

> *"25. It is clear, therefore that to move the site forward, equity rather than debt capital is required and consequently discussions have been had with the JV partners as to their appetite to either bring in new equity partners or move the site on themselves. Any such decision can only be made with their agreement and their preference is to take the site forward themselves as they believe that they have the skills to do so, and our experience with them to date supports that view."*

17.11. There is little by way of substantive evidence to support the necessity for changing the structure or for the extent to which it is amended. The result of the changes significantly benefits the JV Partners and there is little in the way of contractual obligations impacting

[37] Addleshaw Goddard LLP 2018

[38] *Report to STDC Board dated 18th Aug 2021 para 25*

on the JV Partners in consideration of the additional shareholding and future revenue stream.

17.12. The counsel's opinion attached to the report is based on the 50/50 JV which is materially different from the 90/10 JV particularly in the context of applying the "market economy investor" principle. A further opinion was subsequently obtained in October 2021 which, subject to the caveat that Counsel hadn't been provided with any financial modelling, advised that a court would be more likely than not to find that the arrangements didn't constitute unlawful state aid[39]. Counsel's opinion was also based on the premise that the whole site was to be transferred to the JV whereas, the reality TWL is able to drawdown individual plots (minimum 1 acre) and under no obligation to draw down any particular plot. This enables TWL to "cherry pick" the sites which impacts on the valuation of the land and may, depending upon site drawdown, give rise to a positive valuation.

17.13. In terms of wider scrutiny of the decision to re-negotiate the TWL JV from 50/50 to 90/10, it appears that, notwithstanding the significant financial implications arising to both TVCA and STDC from this decision, it wasn't regarded as warranting any referral back to TVCA either for consent, referral or for their information. There is no evidence of any formal referral to Overview & Scrutiny or Audit & Governance committee.

N.B. Para 93 of the TVCA Constitution states;
"Any financial implications for the Combined Authority arising from a Mayoral Development Corporation shall require Cabinet Agreement through the arrangements for financial decision-making set out in this Constitution."

17.14. The Panel felt that when other key details of the change are considered A decision of such magnitude warranted wider scrutiny. For instance, one of the related changes was to re-value the option land at £1. This was explained to be in return for the commitment of TWL to undertake future remediation and development activity. However, the legal documentation doesn't impose any such obligation on TWL to undertake remediation and there is no evidence that TWL has yet done so.

17.15. It is noteworthy that at the point when the JV 90/10 was enacted and up to the present day, it is understood that the JV Partners have yet to introduce any equity or loan funding into TWL. They have received at least £45m from the sale of recyclables. TWL has received £93m from the sale of an Income Strip investment relating to the SeAH wind farm facility. TWL has made payments to TVCA and STDC as well as HMRC for tax due. £63m is retained to fund development works and future commercial obligations.

17.16. The Monitoring Officer has a key role to play in advising as to the legal/constitutional requirements for proposed decisions and whether they should be regarded as 'Referral Decisions'. The decision notice contains a box for the signature of the Monitoring Officer but there is no signature and in its place are the letters 'N/A'. Given the significance and complexity of this decision it would have been appropriate for the Monitoring Officer to sign this off.

17.17. A significant amount of remediation work had already been undertaken funded by the public purse and this had undoubtedly improved the value of the site and more particularly some individual plots within the whole. The absence of any contractual requirement for TWL to undertake further remediation/development on any particular plot gives rise to the

[39] Opinion of Hugh Mercer QC - Essex Court Chambers – 26th October 2021 -

risk that they might cherry pick the readily developable sites and neglect the others. This risk isn't mentioned in the report.

N.B. Para 3.8 of TVCA Financial Regulations App III of the TVCA Constitution;

"3.8 The Director of Finance and Resources shall also be responsible for overseeing and identifying any risks to the Combined Authorities finances which may arise from the creation or operation of Mayoral Development Corporations. This responsibility shall be reflected in the constitution and financial arrangements of any Mayoral Development Corporation."

17.18. Throughout the period during which this proposal was being considered, its existence and nature was confidential and there was apparently no formal consultation within TVCA Cabinet. This level of confidentiality regarding a decision with such significant consequences both in terms of public finances and wider control of the Teesworks project, appears at odds with the Constitution, legislation and guidance and with the benefit of hindsight may be seen as an omission which has exacerbated the extent of public scepticism about the value for money of the project.

17.19. As a final point on the JV2 decision making it is noted that the Delegated Decision Notice contains a section headed 'Actual or Perceived Conflict of Interest by any of the Decision Makers'. The decision makers were:

- Julie Gilhespie – Chief Executive of STDC and TVCA and Director of TWL
- Gary Macdonald – Finance Director and resources of STDC and TVCA
- Mayor Ben Houchen – Chair of TVCA and Chair of STDC.

17.20. In the case of the Chief Executive, their Directorships of TVCA and STDC and TWL give rise to a perception of conflict due to the fact that the decision involves the significant benefit to TWL to the detriment of STDC and by extension TVCA. This should at least be recorded to demonstrate awareness of that potential conflict. However, when asked about this, the Chief Executive confirmed that she hadn't recorded any potential conflict because she didn't recognise there was any. The Panel were of the opinion that amongst other things, the Nolan Principles would require the acknowledgement of such potential conflicts.

18. Proposed Amendments to the Relationship Between STDC and TWL

18.1. Following requests for legal advice provided to STDC regarding the Teesworks Project an opinion of Hugh Mercer KC emerged. The advice is dated 20th October 23 and concerns proposed new contractual arrangements or amendments which may have a significant financial impact on STDC and indirectly on TVCA.

18.2. The proposals relate to the following:

i) **Remediation Amendment**
An amendment to the process by which land remediation is carried out in respect of parcels over which TWL enjoys an option to purchase. In simple terms, the parties wish to take the benefit of new legislation (not yet in force) that will provide certain tax incentives for public authorities to remediate contaminated land ("**the Remediation Amendment**").

ii) The Infrastructure Amendment
TWL has stated that it will not exercise its option to call off the trunk roads, bridges and other major access infrastructure within the Site. It wishes to amend the agreements between the parties to provide that responsibility for maintaining that infrastructure will lie with STDC and to make provision for how STDC will fund the necessary works ("**the Infrastructure Amendment**").

iii) The Quay Operating Facility Amendment
TWL and STDC have already entered into an agreement relating to a quay at the Site. That agreement omitted to make express provision for the construction of a Quay Operating Facility. The parties now wish to amend the terms of their agreement to include the construction and delivery of a Quay Operating Facility before transfer to TWL is completed ("**the Quay Operating Facility Amendment**").

iv) The ongoing Contamination Amendment
TWL have proposed that STDC take responsibility in the future for the economic (and other) consequences of any contamination on plots of land that after they have been called off and purchased by TWL ("**the Ongoing Contamination Amendment**").

18.3. Due to the likely financial liabilities and the proposed risk transfer, these proposals are likely to trigger consent requirements and/or the referral requirement and it is recommended that STDC officials seek guidance from appropriately qualified/experienced advisors as to the appropriate mechanisms to use to ensure engagement of the TVCA Cabinet in the decision-making process.

18.4. The advice itself indicates that some of the proposed amendments may constitute a breach of the Subsidy Control provisions and other comments suggest that they may not represent Best Value for the taxpayer due to the risk distribution as between STDC and the JV Partners.

18.5. The Panel are advised by the executive that these were exploratory conversations and are not now being pursued. This is positive, however we were surprised to learn that the Board or Mayor had not been made aware of these discussions. It may have been helpful to get a steer from the Board before pursing the matter in detail.

19. Financial transaction and cash flows

JV 50/50

19.1. At the time the JV was considered a degree of due diligence was done regarding the JV partners' other companies, but it has been confirmed that none of the standard checks relating to proof and source of funds, credit rating and money laundering were carried out. The lack of proof of funds for investment contrasts with the Board having previously had in depth discussions as to the ability of Able Ports to fund a development on the site, ultimately not being persuaded as to their ability to do this.

19.2. The report to STDC Board in February 2020 proposing the CPO and the JV arrangement as a new delivery model had an inadequate description of the financial consequences, particularly in relation to the need for separate financial modeling for STDC itself and the JV company, subsequently established as TWL.

19.3. So far as STDC was concerned, in addition to public sector funding, they would receive capital sums from the sale of land at market value and this would be their main source of 'commercial income' together with any dividends from TWL which were not known or secure. In turn they would be required to pay 'commission payments' to a third party (DCS Ltd. – a company jointly owned by the JV partners) and it isn't clear whether advice had been taken as to whether this would have been a revenue or capital payment. If the former, STDC would not have had resources available to make such payments until any dividends had been received.

19.4. The removal of 300 acres of land to be retained by SSI would equally have an impact on future income and whilst there would be avoided costs of remediation, the agreement committed STDC to £24m to demolish the Redcar Coke ovens.

19.5. The arrangement required TWL to fund the purchase of land from STDC post remediation and then fund development prior to receiving any income from leases. The STDC board report assumed TWL could lever the rental streams to fund development. However, this was unlikely to be available as a source of initial funding at least in the early stages, given TWL would have no credit history. This proved to be the case as subsequent investors required public sector covenants for lease wraps as evidenced with GE/SeAH developments.

19.6. The Panel has seen legal advice from STDC external lawyers suggesting that TWL would likely need to fund the land acquisitions by borrowing from STDC itself. Income received by TWL would be subject to taxation thereby further reducing any retained revenues and payments of any dividends would likewise lead to 'leakage' of monies available to TWL to fund developments.

19.7. Whilst the Panel has questions about the subsequent 'scrap agreement', we understand that at this early-stage scrap income on an annual basis was assumed to be low and wouldn't have significantly impacted either STDC or TWL financial models at that time.

19.8. It is the Panel's view that remodeling of the finances of both STDC and TWL at this stage would have shown the increased financial risk to the redevelopment of the site plus the need for either capital injections by the JV partners which they were not committed to (alongside equivalent contributions from STDC) or effective funding of TWL activities through loans from STDC itself which would have represented additional public sector borrowing at risk. Whilst the Panel acknowledges that there was limited time to undertake sophisticated modeling in the run up to the Board decision, it is clear that a full description of the significant change in the financial structure and increased risks should have been given. At least one STDC Board member reflected that inadequate financial information had been made available to the Board at the time the 50/50 JV was agreed.

19.9. The Panel understand that at no stage has there been any financial modeling of TWL nor any updated model for STDC in the JV scenario.

19.10. The Shareholder agreement signed on 13th March 2020 provided that TWL should be financed, as far as practicable, from external funding sources with any security provided, as far as possible by TWL. It provided that there was no obligation on the parties to provide extra funding, but it referenced that the first approach for external funding should be to TVCA.

19.11. The scrap and aggregates agreement was not reported to STDC Board at the time it was entered into, and some Board members only became aware of the significance of scrap income at the time of the 90/10 JV. In the subsequent counsel's advice sought by STDC on the ownership of scrap and aggregates by the JV, the instruction did not identify that the existence of scrap largely flowed from estimated spend of £142m on demolition and an unquantified spend on initial remediation entirely funded by the public sector. Whilst the Panel have received an explanation that ownership of scrap and aggregates was vested in the TWL, by virtue of their option, we have seen no legal advice on this. The advice subsequently received only dealt with it being reasonable in Subsidy Control terms.

19.12. Despite the scrap agreement being in place the Panel understand that the subsequent tender for demolition contractors asked them to consider how scrap should be dealt with.

19.13. In March 2020 when the Commission Agreement with the JV Partners was entered into, it reflected a 50/50 share of the uplifted market value compared to the baseline valuation being £1 per acre apart from the ex-Tata Steel land at £7536 per acre. The subsequent legal opinion obtained by STDC referenced that, to avoid Subsidy Control concerns, the uplifted value should exclude the uplift arising from public sector funded remediation and demolition. This latter also became a condition required by BEIS as part of signing off the Final Business case for additional Government Funding and was restated in subsequent MoUs agreed between Government and STDC, including the 2022/23 agreement signed in November 2022. A subsequent Counsel's opinion referenced that STDC was intending to disregard the BEIS requirement and indicated that they should notify BEIS. The Panel is not aware that this was ever drawn to the attention of BEIS.

19.14. The initial proposal for the GE investment land transaction identified a market value of £30m and proposed a commission payment to the JV Partners of £15m. This was outside of the advice and BEIS requirement, and we are given to understand that the JV Partners would not accept either the Subsidy Control requirement or the base value adjustment (ex-Tata land) although we do not know whether they were aware of the detailed Subsidy Control /BEIS position. Whilst the GE proposal fell away, the 50/50 split of the GE site value was reflected in the 90/10 JV agreement and the subsequent SeAH land transaction.

19.15. At the STDC Board on 29th July 2020, a transition update was presented including STDC's business case to take STSC land into local control and secure £71m of Government funding. The BEIS full business case incorporated financial models which continued to reflect the same basis as in the original CPO model although including different scenarios based on different levels of Government funding. In particular it ignored that Commission payments would be made to the JV partners (outside of TWL), JV taxation and potential JV dividends were not referenced as 'leakages' from the model, nor the fact that the overall finances needed to be restated to cover STDC and TWL separately. The narrative continued to describe the position where STDC would receive lease income and borrow against these income streams which was clearly incorrect as lease income would accrue to TWL.

19.16. At the TVCA meeting on 11th September 2020, the proposal to take STSC land to local control and receive £71m of new Government funding was accompanied by a very detailed report including financial and operational due diligence by KPMG. However, the narrative of the report continued to promote the CPO financial model unamended with STDC as remediating the site and securing leasehold income with strong covenants. The report said "STDC will obtain value through income strips or accessing secured borrowing". It also assumed that all non-Government/non-TVCA funding would be obtained through borrowing and referenced that TVCA borrowing limits as set out in a private appendix included sufficient headroom.

19.17. Under the risks section of the report, the role of TWL in commercialising regeneration sites and negotiating lease finance arrangements is included, but it didn't explain the TWL finance arrangements which introduced a new risk. The report did recognise that there would be private sector investment, but it isn't explicit whether this is the JV partners or other investors linked to commercial developments.

19.18. The report also refers to the original business case utilising the TVCA 50% split of business rates, and this has been taken by STDC as sufficient approval to proceed to utilise those monies without further reference back regarding individual proposals as to how the flow of funds would be deployed. There has been no specific TVCA Cabinet resolution to give effect to this substantial future flow of funds from TVCA to STDC. TVCA and STDC should agree, and keep under review, the future split of Business rates which each might use for the benefit of the Red Line area including retained risks both pre and post the ending of the Business Rates retention period.

JV 90/10

19.19. The move to the JV 90/10 had significant financial implications. In the interviews with some STDC Board members about the move, there were concerns about the speed with which decisions had been required and the lack of understanding of both the structure and the consequences. These latter points are exemplified by the following examples about the treatment of specific projects in flight at the time of the transfer to the JV90/10.

The GE transaction was to be 'novated' into the 90/10 JV. Under these arrangements, STDC were now due to receive £15m for the land rather than the JV partners. In turn, STDC now had obligations to remediate the land for the GE inward investment and in one part of the report it extends this obligation to providing enabling infrastructure. The figure quoted for GE and the Energy Recovery Facility (ERF) remediation including infrastructure was over £40m and formed part of the overall public sector funding committed in the 90/10 JV model. The model also included an ongoing obligation for TVCA to provide a "lease wrap[40]" agreement to enable TWL to provide the headlease to GE. The detail of the various transactions is unclear, not least how TWL would obtain value from the transaction given the lease wrap covered the GE funders development costs rather than provide a payment (ongoing or capital) to TWL. The Supplemental deed signed to give effect to the potential GE deal under the 90/10 JV had TVCA as a party although there was no referral decision to TVCA at that time to authorise this.

19.20. The Quay – the report detailed ongoing obligations on STDC including the appointment of the Quay operator, to maintain the Quay. It is suggested that all revenue flows from the £450m Quay are to flow to STDC. There is no clear approval to enter into any form of deferred purchase of the Quay to TWL or to give them access to the full operating profits (subject to there being sufficient operating profits paying to STDC the tonnage amounts linked to the costs of borrowings taken out for its construction) although that is now what has occurred. In the briefing provided to Board members in the previous week it referenced that the Quay would remain in 100% public ownership although it did reference that TWL would have an option to purchase at market value providing the debt could be repaid.

[40] A lease wrap is a contract whereby a third party (TVCA) buys the asset to be leased and then leases it back to the leasing company (TWL) who then leases it on to the user (GE).

19.21. Future liabilities - the land valuation included in the report quotes £172m of net future liabilities in preparing the site for tenants and is explicitly based on the full site passing to TWL, including responsibility for infrastructure and service charge incurred until plots were let. A 50% discount had also been reflected in the valuation by virtue of the transfer being of such a significant scale that the market would demand such a discount. This was the basis of the Board report although it was clear it was never the intention for the whole site to be drawn down by TWL in that way.

19.22. A separate valuation report based on the ability to draw down individual plots and not taking responsibility for infrastructure gave a positive valuation of £23m.

19.23. Counsel's opinion sought at the time regarding the land disposal was based on transfer of the whole site and was silent on benefit obtained by TWL from GE or Southbank Quay.

19.24. Scrap - the arrangements for sharing scrap income continued to mirror the 50/50 JV with the payment to STDC of up to £60m (their expected income under the 50/50 JV) in the form of a service fee rather than dividend. This is effectively a cash flow process, enabling STDC to benefit from the expected cash flows under JV50/50 and has been treated as an advance of their 10% dividend in term of future profit shares.

19.25. The Panel are aware that a question was asked by the BEIS representative at Board as to whether value for money and appropriate risk transfer were being achieved. The Panel have not been provided with any written notes which underpin the S73 officer's assurance and given that there continued to be no obligation on the JV partners to draw down land and invest their own funds (which was clear to the Board), the degree to which risk transfer and value for money could be achieved could only be justified by future developments being progressed at risk by the JV.

GE Deal

19.26. As part of the Teesworks Offshore Manufacturing Centre (TOMC) development the STDC Board on 29th July 2021 approved a long leasehold interest to GE (BDL) as anchor tenant. The report provided a detailed explanation of the proposal including:

The site in question covered initial 65 acres option for further 47 acres and preemption of 55 acres

19.27. There were obligations on STDC to provide site capabilities. At this stage it was a public sector transaction with a £15m commission payment to JV partners under the JV50/50 arrangement. As referenced previously, it is evident that the calculation of the Commission payment ignored the baseline price of the (ex-Tata) land and the Subsidy Control/BEIS requirement that part of the uplift arising from public sector spend should not be part of the Commission calculation. The land valuation of £30.7m was in respect of the initial 65 acre area and the option agreements were to be the subject to independent report. The enabling infrastructure was estimated at this stage to be £26m.

19.28. Apart from payment of the Commission to DCS, the scheme was a wholly public sector scheme.

19.29. A full report to the TVCA Cabinet on 2nd July 2021 set out the 'requirement for TVCA to enter into headlease'. It fully exposes the risks of GE break clauses and addresses the value for money in quantifying the retained rental monies. It also considers whether PWLB might be a viable funding route. Whilst the report records that TWL have an option to draw down the site there is no other mention as to how TWL's interest affects the transaction. The reported margin to TVCA is 15% of the gross lease payment, namely £1.1m pa over a 35-year period and it was proposed to set this aside to manage future void risk. The report makes it clear that the involvement of TVCA in providing the headlease was essential to securing the anchor tenant as the funder required a public sector covenant given GE's lease allowed several break points.

19.30. The resolution of TVCA specifically covers taking the headlease from STDL. It is the Panel's view that the recommendations were specific to the GE transaction and were not a general delegation to officers to enter further lease wraps. The report makes it clear that this is a wholly public sector undertaking with ownership of the site reverting to TVCA at the end of the lease.

19.31. The Executive have confirmed that the TVCA Cabinet received a briefing on the transaction a week ahead of the meeting which would have given cabinet members the opportunity to seek advice from their own and/or STDC officers had they had any questions.

SeAH deal

19.32. At the STDC Board on 7th July 2022, under the JV 90/10, information on a proposed transaction with SeAH Wind Investments was considered. The GE deal had not progressed as planned and the site had been offered to other prospective tenants.

19.33. The arrangements for the SeAH transaction were that there would be a sale by STDC of the freehold to TWL for £15m "as per previous valuation and commercial agreement". The appropriateness of this description of the disposal is unclear given the site had a valuation of £30m excluding the added value of the enabling infrastructure.

19.34. It was reported that STDC obligations were largely the same as the proposed GE transaction, including site remediation and provision of utilities. However, the total bill had increased from £26m to over £60m including £15m of additional costs specifically associated with SeAH. There was no suggested revision to the land value or other recompense to STDC for the substantial increase in costs falling on the public sector. It has been explained that the £60m cost was an obligation on STDC in preparing the anchor site and whilst this may be a reasonable interpretation of the JV 90/10 obligations for the 60 acres for GE it isn't clear why that logic would extend to the SeAH increased site acreage or specific cost increases linked to SeAH specific requirements. The Panel is not aware that legal advice covering subsidy control has been sought on the overall transaction.

19.35. The report didn't reference what the commercial arrangements were with SeAH, the return TWL would make from the transaction nor suggest that TVCA would be involved in a subsequent lease wrap. The minutes record that the SeAH deal was to be signed immediately after the meeting.

19.36. At the TVCA Cabinet on 28 October 2022, the Treasury Management mid-year update report sought approval for the change from GE to SeAH as anchor tenants at Teesworks.

19.37. The text of the report gave no details but stated that borrowing limits in January 2022 included amounts to provide a headlease for an offshore wind anchor tenant. It also reported that other headleases may be required within the total cap agreed by Cabinet and within the risk profile agree. It is unclear why this approval was sought as the STDC report in July 2022 didn't reference any TVCA involvement, and the Teesworks/SeAH deal had assumedly been signed in July. There was insufficient detail of the changed structure between GE and SeAH and no explanation why TVCA involvement was necessary to warrant the decision. The March 23 report (see below) concerning SeAH included reference to Cabinet at the October meeting approving further leases subject to the financial envelope and risk allocation agreed for GE but there was no such authority minuted and the body of the report itself only referenced that other headleases may be required.

19.38. In January 2022, the TVCA Cabinet received a report on the Treasury Strategy. The Strategy states "PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority intends to avoid this activity in order to retain its access to PWLB loans."

19.39. It wasn't possible to identify in the report what allowance had been made for entering headleases as the detailed Treasury indicators were not broken down into that level of detail.

19.40. On 17th March 2023, an urgent report was presented to the TVCA Cabinet on the SeAH Headlease, and it is not clear whether the report was presented at or very shortly before the meeting. It has been confirmed that Cabinet received no prior briefings.

19.41. The stated reason for the urgency was that a Third Party was investing in the SeAH income stream and had requested specific approval for the SeAH headlease. This suggests that officers might otherwise have relied on perceived delegations from earlier report rather than seeking specific Cabinet approval. The report leads on from the previous approval to provide the GE headlease on 2nd July 2021 and "incorporated a 'headlease' wrap by TVCA for the GE lease to support the anchor tenancy coming to Teesworks". It recommended "Approves granting of SeAH Headlease".

19.42. The report advised that the STDC board had received detailed proposals on 7th July 2022 and that TVCA had approved the switch to SeAH in the October 2022 Treasury Management report. However as set out above, there was no adequate explanation given to either meeting as to the need for TVCA involvement.

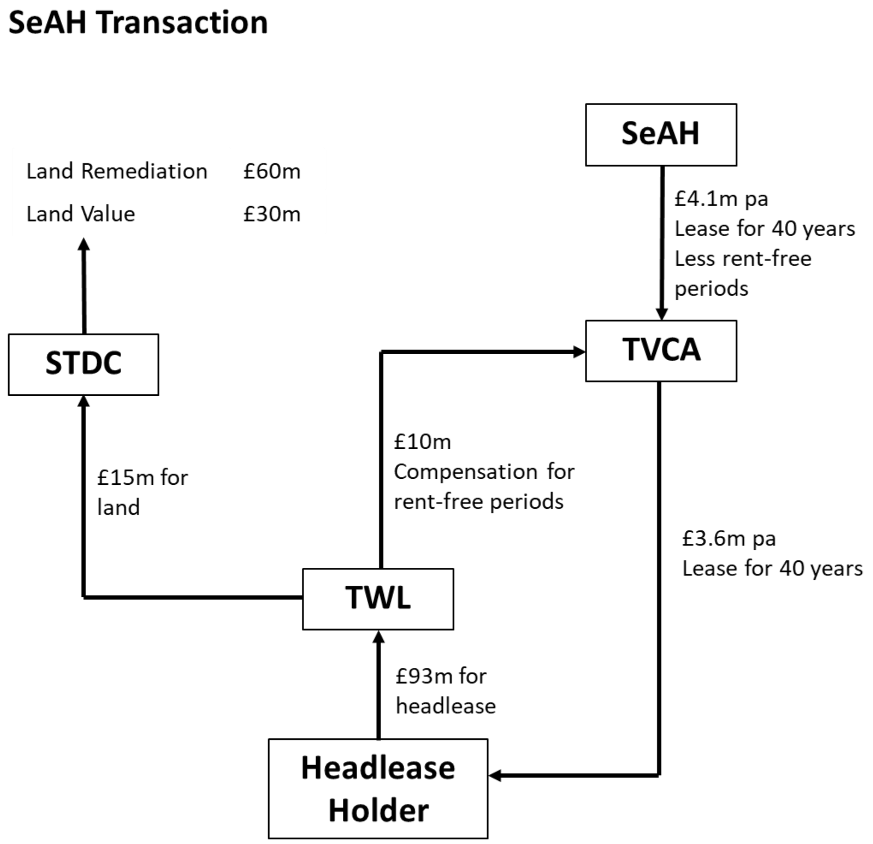
19.43. There is some indication in the report that the nature of the SeAH lease wrap is different and would generate a capital receipt for TWL and notes that they are not obliged to invest it. The scale of the capital receipt to TWL, in excess of £90m is not explicitly reported but could be seen in the attached Colliers report which is a technical valuation paper and Cabinet members would not easily have seen the detail. The report states that there are no financial implications outside of those agreed in previous cabinet decisions, but this is incorrect. The scale of retained income from the lease wrap is reduced by over £0.5m pa as the overall size of lease payments are roughly 50% of GE and the lease from TVCA to SeAH provides for rent free periods which, on enquiry, are covered by a 'reverse premium' from TWL to TVCA of over £10m but are not referenced or explained in the report or the attached Colliers technical paper.

19.44. The legal implications are also stated as no different, but the rationale for the headlease had changed from being crucial to delivering the anchor tenant where the funders required a public sector wrap to a purely funding transaction taking place several months after the agreement had been signed. The proposed headlease was designed to give TVCA an income stream in return for accepting the SeAH covenant risk and, more significantly, a substantial capital sum to TWL.

19.45. The report states that previous cabinet decisions delegated authority to officers to progress with SeAH but it is hard to conclude that such a delegation existed and relying on the October 2022 Treasury Management report, in which no relevant information was provided, is unsound.

19.46. The legal justification for entering the headlease is unclear in the Cabinet report and arguably could be read as an investment solely or mainly for profit which is contrary to CIPFAs Prudential guidelines and TVCA's own Treasury Strategy. The fact that the Investor had required £50m of the proceeds received by TWL to be set aside for future investment in TWL was not referenced in the report despite the fact that it might have provided a legal basis for TVCA entering into the arrangements. However, when the Panel discussed with the JV Partners why TVCA needed to provide its covenant strength, they felt that the JV would have been in a place to undertake such a transaction once construction of the SeAH facility had been completed and that TVCAs early provision of the facility was to generate income for itself to replace that assumed under the GE lease wrap.

19.47. The transaction is complex and the flow of funding is represented below alongside the overall financial dimensions of the transaction from a public and private sector perspective, as the Panel understands it.:



	£m	Comment
Investment by public sector		
Land Valuation	30	
Site remediation and provision of enabling works & Utilities	60	
Total Expenditure	**90**	
Net receipt by TVCA of lease wrap margin/TWL compensation	-24	Annual net receipt of £0.6m pa for 40 years (indexed)
Receipt by STDC re land	-15	
Total Income	**-39**	
Net Contribution/(receipt)	**51**	
Investment by TWL		
Land payment to STDC	15	
Compensation to TVCA for rent free periods on lease	10	
Total Expenditure	**25**	
Sale of Lease wrap to Investor	-93	
Total Income	-93	
Net Contribution/(receipt)	**-68**	

South Bank Quay

19.48. The business case seeking £20m of Government funding for South Bank Quay was approved by TVCA Cabinet on 2 July 2021. It was based on public sector funding and operation, with the revenues, after operating costs, being used to repay the debt. Likewise the initial report to STDC to progress the scheme was a solely public sector proposal. Initial borrowing by TVCA for £106m was undertaken from PWLB on or about 1st November 2021 but this was subsequently novated to UK Infrastructure Bank (UKIB). TVCA then entered into an equivalent loan agreement with STDC to allow the latter to fund the construction of the Quay. The terms of the loan from TVCA to STDC signed 1st November 2021 recognised that the repayment profile may be modified due to operational performance and the repayment period may be extended. There is provision for premature repayment, and STDC indemnifies TVCA for any costs arising.

19.49. After the 90/10 JV approval by STDC Board, an agreement was entered into with TWL to sell the Quay on deferred purchase terms with payments on an annual and cumulative basis capped at the capital cost plus interest calculated as per the UKIB loan. On an interim basis, STDC are bearing the capital financing costs estimated as £2m in STDC's 2023/24 budget. The payments from TWL are linked to the tonnage throughput at fixed rates and if this is lower than the specified level then the balance rolls forward to be paid in subsequent years.

19.50. A supplementary agreement dated 16 December 2022 included a possible deduction from the tonnage payments in respect of operating profits not being sufficient. All operating profits, after the tonnage linked payments, accrue to TWL. Documentation suggests that STDC retain responsibility for insuring the Quay and this could amount to £700k pa initially but will change as replacement value varies and insurance rates fluctuate. Likewise, the position as to who bears the annual service charge isn't clear. In the event that any insurance and service charge costs fall on STDC it would represent a subsidy to TWL as would the benefit of public sector borrowing rate. This would need to be considered as part of the Subsidy Control position as well as reflected in ongoing liabilities of STDC. It is apparent that £20m of Government grant has been received to support the development of the Quay and associated facilities, and there is an obligation linked to the grant that it should not benefit any particular private sector body. The precise use and beneficiaries of the grant are not clear to the Panel but given TWL are to receive all operating income from the Quay and all value leases on adjoining land it is likely that they are the direct beneficiaries.

19.51. The agreement between STDC and TWL provides that TWL may make earlier repayment of the debt but doesn't provide that they would meet any breakage costs. As the UKIB loan can only be used for the purposes of the Quay and requires TVCA to notify UKIB of any disposal or potential disposal it would likely trigger a premature repayment to UKIB with any breakage costs falling on STDC. In the event that premature repayment was not required by UKIB, TVCA might be left with monies it couldn't utilise elsewhere.

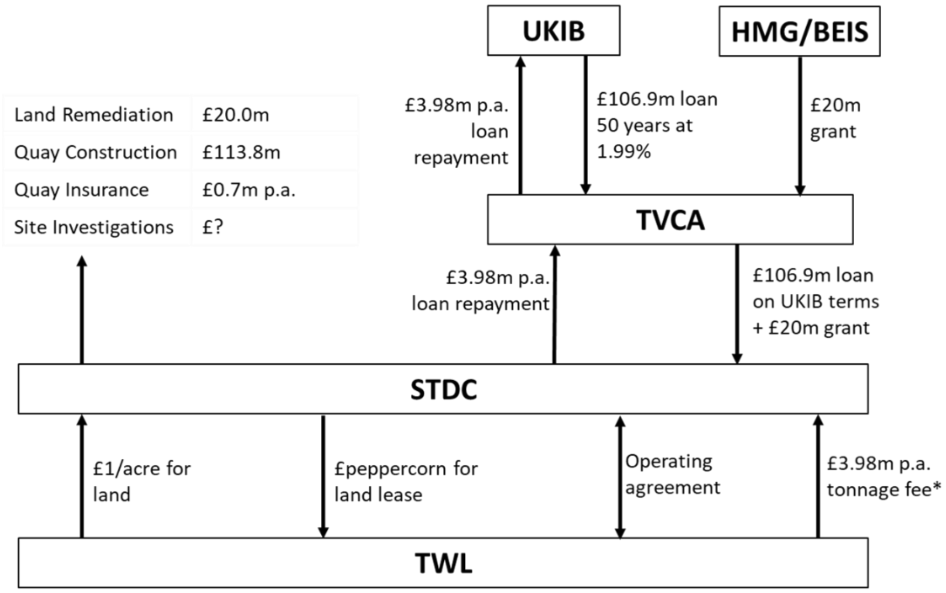
19.52. The UKIB loan to STDC via TVCA has a predetermined repayment schedule and interest is at a fixed rate over its life. This matches the tonnage-based payments from TWL to STDC, but this is dependent on the utilisation of the Quay reaching specified levels and a possible reduction linked to sufficient profitability in accordance with the supplementary agreement. As a result of the supplementary agreement there has been no financial risk transfer to the JV and TWL will accrue operating profits which exceed the financing payments to STDC whilst STDC are providing direct financial benefits to TWL through meeting insurance costs and site maintenance obligations. The Panel recognise that TWL has commercial obligations and incentives to make the operation of the Quay a success.

19.53. Access to public sector borrowings is fixed at 1.99% for 50 years. Both the 50-year loan life and fixed interest rate represent terms that would not have been available to TWL. Indeed it is clear that TWL would have been unable to obtain any finance for the project given the uncertainties surrounding its commercial success.

19.54. The Panel is aware that recent Counsel's advice questions whether the deferred purchase by TWL on the terms agreed represent a commercial decision. This situation is exacerbated as counsel was apparently unaware of the short-term financing costs and ongoing insurances falling on STDC.

19.55. Given that TVCA approved the business plan representing public sector ownership and full operational income flowing to STDC, the deferred sale and transfer of all operating profits after financing costs to TWL should have been recognised as a Referral Decision. Whilst Cabinet agreed the business plan, it isn't clear that they appreciated TVCA would be undertaking the borrowing in the first instance and the District Chief Finance Officers the Panel spoke to were not aware of the situation.

19.56. This is an incredibly complex deal and we set out below a funds flow diagram of the deal as we understand it.



*tonnage fee of £3.98m p.a. is a maximum, subject to volume change and available profit.

Landfill Tax and NZT

19.57. Whilst discussions have taken place with Government about the landfill tax trap and whether a solution will be forthcoming, the March 2023 budget did not provide this nor any timescale within which proposals would be brought forward but did record that it was under consideration.

19.58. The March 2023 STDC board was scheduled for the day after the Budget and considered a report to review the implications of the tax and the need for a different delivery model for NZT and other future deals. The report presented advised that there was a proposal in the Finance Bill, which turned out not to be the case. It is clear from the minutes that the Board were made aware that the detailed proposals and legislation were still outstanding.

19.59. The proposal regarding changed operating methodology was based on the understanding that a remediation scheme undertaken by the public sector would be eligible to access the landfill tax grant if the scheme was not viable without it. From discussions, given the environmental license available to STDC for the NZT scheme, landfill tax was not a material factor in its viability although the need for TWL to acquire its own environmental license if undertaking the works directly would be an additional risk. However, the STDC Board report relied on the landfill tax rationale to explain the change in operating approach both for NZT and future schemes and there was no reference to the favorable environmental license which the NZT scheme held.

19.60. The essence of the change in methodology whereby STDC would undertake the work and be reimbursed by TWL leads to a number of costs and risks which should have been addressed. The effective lending of monies to TWL carries with it a high level of credit risk as the rating given by STDC's Treasury advisers was equivalent to Moody's Ba3 which is not investment grade, considered speculative and are therefore subject to high credit risk. It sits one grade above junk bond status. This rating was assessed based on full security being maintained on the land. Whilst this was reflected in the margin being applied to the loan it was a material factor that should have been reported to the Board in making any decision.

19.61. The contracted interest rate is to be applied on a ‘simple interest ‘basis and tied to a margin over a 10-year gilt as of March 23 which was 3.5%. Gilt yields increased thereafter and as at the date of signature had increased to 3.76%. Likewise accruing interest on a simple interest basis is not consistent with referencing a margin over gilts as the latter have twice annual interest dates. To mirror a normal commercial agreement interest should be compounded on a semiannual basis. The NZT agreement also applies a shorter longstop date which is unlikely to be 10 years from signature date which makes reference to a 10-year gilt rate questionable. Linking the appropriate margin to a loan rate at the time of each drawdown would seem more appropriate given the volatility in rates at the current time and the length of time over which monies would be advanced.

19.62. It is also noted that the NZT agreement leaves STDC responsible for the service charge on the land until drawdown by TWL and this should have been included in the costs to be recovered as this represents a direct cost to STDC in undertaking the work which they should be recovering alongside the agreement to recover incidental costs. Likewise, the agreement leaves STDC responsible for any landfill costs incurred.

19.63. The report to STDC Board includes no commercial detail including the possible up-front funding by BP and the extent to which the scheme might qualify for landfill tax support (which it is understood is not likely given the environmental permit in place) and hence any likely landfill costs to be met by STDC, the scale of the investment and assessment of TWL’s credit worthiness. It was also noted that STDC was committed to carrying out Phase 2 if required by TWL.

19.64. The provision of a Park and Ride facility is a contractual requirement for NZT to be delivered by STDC at a cost of £20m. At that stage funding via TVCA Transport funding hadn’t been agreed and the obligation wasn’t referenced in the STDC Board paper nor to TVCA as a referral decision.

19.65. A substantive consideration to any commercial lending agreement is understanding the means by which the lender will repay the loan, and this wasn’t addressed in the Board report. Clearly if the NZT lease had been finalised and the JV able to securitise the lease payments, this would have provided a route but in the absence of this, STDC would need to rely on the £50m income received from the Investor retained by TWL, assuming this had been achieved and not committed to other projects. It was noted that the TVCA decision to enter into the transaction was after STDC decision on NZT and hence that source of income couldn’t be relied upon at the time of agreeing the revised operational approach for NZT.

Summary financial position of STDC and TWL

19.66. Planned public sector investment in Teesworks up to end 2024/5 (excluding keepsafe) will have amounted to circa £500m. As at 31/3/23 substantial financial liabilities exist for STDC (£257m of prudential borrowing undertaken of which £206m has been borrowed long term from TVCA). This latter is held as loans by TVCA from external lenders along with liability assessed in the accounts as £103m under the SeAH lease agreement.

£m	Pre 20/21	20/21	21/2	21/3	21/4	21/5	Total
Operating costs		3.2	4.3	10.7	0.9	0	19.1
Demolition		2.1	41	83.5	17.4	0	144
Site preperation and infrastructure		30.5	58.7	34.7	52.1	6.3	182.3
Enabling studies			7.9	1.9	2.7		12.5
South Bank Quay			23.2	65.7	22.9	1	112.8
PROJECT EXPENDITURE		32.6	130.9	185.8	95	7.3	451.6
LAND ACQUISITION COSTS	**11.2**	15.9	1.3	0.2			28.6
KEEPSAFE ex SSI		14.9	28.3	17.1	1.8		62.1
TOTAL EXPENDITURE	**11.2**	65.6	164.7	213.8	97.7	7.3	560.3
FUNDED BY							
Beis RDEL		11.4	34.2	16.8			62.4
Beis CDEL		5.4	11.7	5			22.1
MHCLG CDEL		4.2	36.8				41
MHCLG Prairie		10					10
TVCA Investment Plan		30.8					30.8
Beis WilND			20				20
Quay Borrowing			33	64.3	9.5		106.8
Other	**11.2**	3.9	29.1	127.7	88.2	7.3	267.4
							560.5
Other will include balance of £56.6m Investment Fund, Scrap circa £60m, GE land sale £15m							
Prudential borrowing included in "other" derived from CFR statement	**11.2**	25	44	70.7			

19.67. From the above analysis it is apparent that STDC has substantial treasury transactions, including borrowing £206m from TVCA as at 31/3/23. The STDC constitution requires that the Board receive an annual Treasury Management Strategy (which would include Minimum Revenue Provision (MRP) policy) together with mid-year review and Annual Report. To date the Panel have been unable to identify any such reports over the period from 2020. Such reports would have highlighted that STDC has undertaken £247m of prudential borrowings of which £96m relates to the Quay development. Whilst the Quay borrowing might arguably be seen as approved by TVCA, when it approved the Quay business case to Government there is no evidence that the remainder has been approved by TVCA and it appears to be merged within 'other funding' in the periodic financial updates provided to STDC Board such they are unlikely to be aware of the scale. Whilst it is reported in the draft Annual accounts for 2022/23, these have not yet been reported to the STDC Audit and Governance Committee nor to the Board although they are published on the TVCA web site. Studying the draft accounts would also identify that there are unexplained differences in the cumulative funding statement presented to the STDC Board in July 2023 (table at above) and the draft annual accounts.

19.68. TVCA receives the required Treasury Strategy reports which identify loans to subsidiaries in total but does not give further detail. Apart from the possible agreement to lend monies to STDC for the construction of the Quay, it is not apparent that any other specific approval for on-lending has been agreed by Cabinet nor that Districts are aware of the overall exposure to STDC. The Panel note that the constituent authorities receive copies of the various Treasury Management reports and that they are publicly available, however there does not seem to be any recognition of such Treasury activity. The TVCA Audit Committee do not receive the various Treasury Management reports, although they are publicly available, and do not provide any scrutiny of TVCA lending to STDC. Whilst an astute reader of the accounts would identify such lending activity it seems unlikely that most Committee members would scrutinise in that level of detail.

19.69. To date the JV partners have received circa £45m through TWL with a further £63m held as cash in TWL. There has been no direct financial investment by the JV partners in TWL and nonapparent in the near future given the new operating model agreed.

	31/07/23 £m	Comment
Income		
Scrap	98.3	
Land deals	97.5	
Interest	1.0	
	196.8	
Expenditure		
TVCA reverse premium (SeAH)	10.0	Reverse premium payment re SeAH transaction
Overheads	4.7	
Tax	29.3	
STDC	44.8	Includes £5m for GE land Transaction + £39.8m scrap
JV Partners	44.6	
	133.4	
Cash at Bank	**63.4**	
Liabilities	10.0	Due to STDC re GE land Transaction
Assets	39.8	Due from STDC through dividend deferal as part of the £60m advance on scrap

20. STDC Retained Liabilities

20.1. The Panel has sought to identify the liabilities currently sitting with STDC through review of the financial plans and other documents provided to it. It will, inevitably, not be a comprehensive list and some of the values allocated to individual items will be 'best estimates' which STDC may be able provide more accurate assessments for. The Panel are aware of the report to the April STDC Board covering some aspects of ongoing site liabilities, but this did not cover the full range of liabilities for STDC over the short, medium and longer term.

Outstanding Debt

20.2. As at 31st March 2023 STDC had utilised Prudential borrowings to the tune of £247m, which included £206m of long-term external borrowing from TVCA. The remainder may be funded from shorter term loans from TVCA or STDC's own cash flows.

20.3. The STDC financial plans for 2023/4 to 2024/5 show further funding required to complete the capital programs. This amounts to £105m and will undoubtably include further borrowings as scrap income has been fully utilised.

20.4. Capital financing costs budgeted in 2023/24 amount to £7m and this figure will increase as more borrowings are undertaken and MRP starts to be charged on later years capital spend. Income from the South Bank Quay agreement with TWL will be planned to cover the Quay financing costs but financing costs of £135 to 200m of borrowings will fall to be met from other income sources. In the absence of STDC Treasury Management annual policies including MRP, it is not possible to determine the periods over which MRP is to be applied.

Estate Management costs

20.5. The 2023/24 budget includes net costs of £4.9m and whilst this would be expected to diminish as TWL draw down individual plots there will be a remaining profile of unrecovered costs. Under the proposed new operating methodology STDC would continue to bear site costs for plots being developed under direction from TWL until such plots are drawn down.

Quay residual costs

20.6. The Quay agreement provides that STDC is responsible for insuring the Quay and, based on figures included in STDC documents this could initially amount to £0.7m pa. It is unclear whether STDC continues to bear related estate management costs.

High Tip and SLEMS

20.7. These sites are unlikely to be developed in the short term and ongoing site maintenance and estate management costs will continue. Should the areas be brought forward for remediation, costs of up to £50m might be incurred and it is unlikely these would represent commercial propositions at the present time.

Proposed Infrastructure Amendment

20.8. Panel are aware that Counsel's advice has been sought on a proposal for STDC to take responsibility for Roads, Electricity apparatus associated with roads, foul water mains, gas appliances and amenity areas. Under the amendment TWL would serve notice on STDC to construct, upgrade, repair and maintain these to specified standards and to solely use business rates income from the site for this purpose. Panel have seen no estimate of the capital costs of such investment by STDC nor the ongoing cost of meeting ongoing obligations. Counsel's initial opinion is that this could be a breach of Subsidy Control regime.

Business Rates

20.9. The Regulations provide for TVCA to receive 50% of the business rates uplift from the designated areas to support TVCA medium term financial strategy and the Business Plan as approved by BEIS in 2020.The Regulations specify the time period being 25 years from 1 April 2021. Both the Regulations and the signed MoU with R&C are with TVCA as the accountable body. Although STDC have assumed they have sufficient approval to access the full amount of business rates, TVCA should review the liabilities which would potentially fall to them. Subsequently TVCA should explicitly agree the amount and usage of Business Rate income to pass to STDC and receive assurance from STDC as to their application in line with the Business plan.

Park and Ride

20.10. Under the NZT agreement STDC are required to provide a Park and Ride facility at a capital cost of £20m and to maintain thereafter at its own cost. It is understood that the capital cost will be met by TVCA Transport allocation, although in theory it could be met from retained business rates.

Conclusion

20.11. STDC retain substantial liabilities on the site which are largely unquantified. Whilst it is no doubt the intention to utilise business rates income to cover these costs, that income source has a finite life whilst many of the obligations extend beyond that period. Should the Infrastructure Amendment, in its suggested form, be agreed it would remove from STDC any flexibility to meet costs other than those specified in the Agreement from business rates income. STDC should model financial flows which should extend beyond the life of the Business Rates Regulations to better understand its net liabilities.

21. Specific issues

21.1. There have been a number of specific allegations that have been in the media. These have been put to the Statutory officers and they advise as follows:

The appointment of Teesworks Operations Manager

21.2. The Teesworks Operations Manager is employed by STDC and commenced work on 1st September 2020.

21.3. The post holder was approached directly by the Chief Executive for the role, following discussions between her, the Director of Finance and Resources, and the JV partners.

21.4. The post holder was approached due to his "very unique experience with both ports and Teeside" as he was known to be available and an expert in ports.

21.5. The post holder was formerly the Managing Director of Redcar Bulk Terminal and involved in selling the land option to the JV Partners which was pivotal to the 50/50 JV arrangements.

The appointment of Teesworks Site Development Manager

21.6. The Teesworks Site Development Manager is employed by STDC and commenced work on 7th December 2020

21.7. The post holder was recommended by the JV Partners and interviewed by The Director of Finance and Resources and the Teesworks Operations Manager. There was no advert or competition for the role as the detail required "a known and trusted person".

21.8. The post holder is the son in law of one of the JV Partners.

The resignation of Former Group Chief Legal Officer

21.9. The post holder was employed as Group Chief Legal Officer from 3rd September 2020 to 25th November 2022.

21.10. The post holder resigned to take up a new position and served his contractual notice period.

The procurement of NE Security Limited

21.11. NE Security Limited were appointed through an open OJEU process to deliver Teesworks core security. The contract commenced on 13th December 2021.

21.12. There were 7 bids received of which 2 were compliant. The evaluation was scored by the Head of Security and his deputy and overseen by the Procurement Manager. It included a pass/fail question requiring bids to be within the financial envelope set by STDC.

21.13. CRB checks whilst a standard term in STDC procurement were not taken up as the individuals involved in the contract have to be SIA (Security Industry Association) licensed and the bidders made the appropriate disclosures in this regard[41].

21.14. No interviews took place, in line with standard practice, and no references were taken. There was no assessment of the credibility of costings where the financial envelope appeared to be met despite a fully detailed pricing schedule being a requirement.

21.15. NE Security Limited provide services to one of the JV Partners.

The role of TCC Plant Limited

21.16. STDC have no contracts with TCC. TCC have not tendered for any STDC opportunities.

21.17. TCC may have a presence on site through sub-contracts with STDC direct contractors. TCC hire plant to SeAH.

21.18. TCC is owned by the son of one of the JV Partners.

Withholding monies from Redcar & Cleveland BC

21.19. There has been significant coverage and speculation about the withholding of monies from R&C pending the movement of the South Road roundabout which it is said encroaches on preserved rights over land held by PD Ports and subject to current court proceedings.

21.20. Early in the review, third parties shared copy correspondence, with redactions, on this matter. The main e-mails are sequenced and summarised below. The final document, a text, was not made available until 3rd October 2023:

[41] JG e-mail 30/10/23

Date/time	From	To	Commentary
06/03/23	Julie Gilhespie	John Sampson	**Roundabout** Referenced conversation Friday (3/3/23) Asked if R&C can subcontract the roundabout project. Reference sub-contractor already on site who can do it quickly and easily Offer to fund if a constraint
06/03/23	John Sampson	R&C staff	**TVCA Funding - Redcar Town Deal** Referenced conversation with JG Friday (3/3/23) JG has confirmed Mayor has "…put hold on a range of funds coming to us – the TVCA contribution is one such sum" Discussed unlocking log jam Asked if funding delayed until May, would cause a problem
06/03/23	R&C staff	John Sampson	**TVCA Funding - Redcar Town Deal (RTD)** Confirms funding delay will have a big impact on a few projects Need RTD money by 20 March or £100k cost exposure Other project funding at risk as listed
09/03/23	John Sampson	Julie Gilhespie	**Roundabout** Hold on funding – RTD assurance statement to Government due 20 March. Need position by then so scheme not derailed.
16/03/23	Julie Gilhespie	John Sampson	"Ben will release town deal Money as soon as he has confirmation that you have instructed the contractor on the roundabout"

21.21. John Sampson, Managing Director, Redcar and Cleveland BC (R&C) was interviewed on 23rd August 2023. He was asked about TVCA or STDC putting the council under pressure to undertake highways works or make planning applications; the so called "blackmail e-mail". John confirmed there was no such e-mail. There was discussion about the South Bank roundabout progress and reluctance on the part of developers (STDC) to progress planning permission considering the land dispute. R&C used their highways development rights to change the location.

21.22. At the same time, R&C were "chasing some funding" from TVCA in respect of a costal scheme. This was a separate issue and they required confirmation of funding. The confirmation was not received, and the council placed orders at risk. They have subsequently received permission for some £600,000 from TVCA. John advised that the two issues had "entangled themselves" with some internal e-mails putting the two issues together. They were not blackmailed, he felt people had "put two and two together and come up with three...".

21.23. On 12th September 2023 the Panel received two e-mails. The first from the Leader of R&C advising that John Sampson had "… disclosed to me that he would be sharing with your investigation a WhatsApp message from Julie Gillespie directly to him stating that Ben had indeed threatened to withhold funds until the roundabout issue had been resolved.". The second was from The Chair of the Regulatory Committee of R&C stating, "You have been sent evidence of Houchen using Gillespie to blackmail Redcar and Cleveland Council."

21.24. John Sampson was interviewed again on the 2nd November 2023, where it was put to him that there was evidence that monies had been withheld from R&C. John confirmed that he did believe this to be the case, although this was not included in any email. The genesis was conversations with Julie Gilhespie and the Mayor. John advised that there was a text that linked the two and arranged for a copy to be shared with the Panel. He had not previously shared it as the Panel had asked about e-mails and he had treated the request in the same way as an FoI, which in his view entitled him to exclude the text.

21.25. We met with the Mayor on 3rd November 2023 and asked him about the allegations of withholding funds. He set out a position whereby STDC had agreed to assist and even pay for the roundabout, whilst separately R&C had sought additional funds from TVCA for the Town Fund project. The two items had been misrepresented. In any case the roundabout was, in the end, never delivered.

21.26. In conversation with Julie Gilhespie on 10th October 2023, she was advised that we had seen her text and asked if the Mayor was aware. She had a different perspective that R&C Leader had told officers not to proceed with the roundabout, on the back of a view that R&C were receiving less than their fair share. This arose from the "deal" in July 2022 to secure 2 further Development Corporations (DC) in Hartlepool and Middlesborough. Each new DC was to receive £10m from TVCA and in order to secure agreement from the TVCA Cabinet a further £10m was set aside for non-DC areas, being split £6m for Stockton and £4m for Darlington.

21.27. The former leader of R&C, Mary Lanigan, was interviewed on 3rd November 2023. She too referred to the deal with Stockton and Darlington, in the context of TVCA cabinet being asked to agree to borrow £20m for the Airport at short notice and with no supporting paperwork.

21.28. There are clearly different perspectives on this issue and equally some consistencies. What is clear is that based on the text from Julie Gilhespie of 16th March 2023 R&C would have good reason to conclude that the release of monies by TVCA for the Town Deal was dependent on them contracting the works on the roundabout. Ultimately though, the monies were released, and the roundabout did not progress.

21.29. This is an example of how unhelpful relationships across the region are impeding the delivery of significant regeneration in Tees Valley that go beyond the boundaries of the Teeswork site.

22. Conclusions

22.1. Teesworks and the regeneration of the former Redcar Steelworks is a vast and complex project. The area desperately needs, and welcomes, the opportunities the site can offer and much has been achieved in a relatively short space of time. We do not underestimate the challenges posed by the site and the circumstances within which much of the current work has taken place. These include a worldwide pandemic, a number of geopolitical shocks and economic instability.

22.2. The Panel have not been able to follow every single lead provided or answer every question posed by stakeholders and interested parties. We have however secured sufficient, consistent evidence to support our conclusions. We have found no evidence of corruption or illegality. We have identified a need to strengthen governance and increase transparency which can be done with limited impact on pace of delivery.

22.3. In terms of the specific questions set out in the terms of reference our summary responses are set out below:

1. **An assessment of the governance arrangements at the STDC, including how decisions are made and the transparency of those decisions.**
   STDC Board members and constituent authority chief executives expressed confidence in the current group executives. The Board largely feel engaged and make unanimous decisions. The quality and timing of reports is mixed and often supplemented by informal briefings, although the Panel has not always seen the content of these. Much of the detail is delegated to the executive and we found evidence of inaccuracies and omissions in reports which undermines decisions. The high degree of confidential reporting and opacity in report titles compromise transparency. We did not see sufficient information provided to Board to allow them to provide effective challenge and undertake the level of due diligence expected of a commercial Board.

2. **An assessment of the arrangements through which the Tees Valley Combined Authority (TVCA) meets it responsibilities for effective and appropriate oversight of the activity of STDC (the Mayoral Development Corporation responsible for the Teesworks site) and the Teesworks Joint Venture (the public-private partnership between STDC and its partners).**

   TVCA effectively has no oversight of STDC Board or TWL. The Cabinet receive routine updates from the Chief Executive, however they are not sighted on or engaged in significant decisions. The former monitoring officer advised TVCA oversight and Scrutiny Committee they had no remit to scrutinise STDC decisions. Since then, despite concerns being raised, there has been no advice to TVCA that they can issue or revoke directions, including referral decisions, that STDC must follow. They can also amend delegations issued. The executive has been robust in applying a narrow definition to referrals.

   TVCA seems unaware of the direct liabilities it faces as a result of its interface with STDC and it is questionable whether there has been substantive approval to the degree of long-term lending to STDC or their access to business rates income.

   There is no oversight of TWL, despite requests from various TVCA members and Committees. It is the responsibility of STDC as the public authority to ensure that appropriate conditions and oversight of TWL is in place.

3. **An assessment of the processes, systems and delivery mechanism in place to deliver the expected value and benefits of the Teesworks Joint Venture?**

Operations of TWL are not visible beyond the published accounts at Companies House. While TWL is a private sector company, albeit one where STDC had a controlling influence at one time, it would have been the Panel's expectation that STDC would have set some conditions aligned to managing public funds on how the public assets and resources were defrayed once drawn down.

Whilst the JV Partners have undoubtably brought their skills and experience to bear on the project and have been critical to progressing at pace, there has been no private finance invested to date whilst over £560m of public funds have been spent or committed. The JV Partners and TWL have received substantial income as a result of the public sector investment.

A further £238m investment including £40m for Net Zero Teeside, is potentially to be incurred by STDC utilising prudential borrowing, to be repaid over the next 50 years from a combination of retained business rates, Teesworks Limited (TWL) profits from operating the Quay, and contractual commitments from TWL.

Outcomes are reported quarterly to Government (BEIS/BAT) in line with the agreed criteria. However, these do not record the cumulative position on either costs or benefits, nor do they compare the current overall position in respect of costs and benefits with those set out in the approved business case.

4. **An assessment of the arrangements and capacity in place to ensure that decision making across the TVCA, including STDC and Teesworks Ltd (the Joint Venture vehicle), is evidence-based (where practical), takes full consideration of value for money, and reflects an appropriate balance of risk and reward between the public and private sector.**

The risk and reward between the public and private sector was set out in principle to the STDC Board at the agreement of the JV 50/50. Detail was left to statutory officers and developed over time, including 2 supplemental agreements that were not notified to the Board. The JV 90/10 equally was discussed at the principal level. Each land transaction shifts the balance of risks and rewards, and these have never been discussed holistically.

TVCA has no sight of these decisions other than specific deals where they may act to provide financial covenants or instruments.

The quality and timing of reports are variable. In many instances the reports omit much of the detail and on occasion have been incorrect e.g., advising that Government had agreed a solution to the Landfill tax legislation. While external specialist advice is sought, often the advice is narrow e.g., subsidy control advice was limited to the commission payments with the JV partners, not the overall deal, and instructions are often limited and on occasion incorrect. The lack of challenge from the Board and wider professional officers within TVCA constituent authorities mean that there is ineffective check and challenge in the system.

The absence of detailed commercial financial advice on all but one transaction (transfer of STDC to local control) is notable and undoubtably would have led to a fuller understanding of financial consequences to inform major decisions.

5. **An assessment of the level of confidence by which the Government have that key decisions to date in relation to the Teesworks Joint Venture have been evidence based and taken appropriate consideration of value for money.**

The lack of transparency in the decision making and the very permissive scheme of delegation undermines the confidence Government can place on the evidence base and systems to secure value for money. The evidence base is constrained with risks not being fully understood and value for money cannot be assured without the checks and balances in the system. There appears to be significant verbal briefing of decision makers but the detail of this is not available as evidence. Given the tight control of information, the relatively small number of officers involved and breadth of experience of decision makers, this limits the added value Board members are able to bring to the decisions in respect of the JV arrangements.

The confidence in statutory officers is good but conversely reduces the curiosity of those in positions of influence, who take reports and briefings at face value without providing an independent check and challenge.

6. **An assessment of the robustness of local systems and operations in place to guard against any alleged wrongdoing, in particular in relation to:**
   a. **The sale of the site now occupied by SeAH Wind**
   b. **The change in the Teesworks ownership structure in August 2021 from 50% public to 90% private**
   c. **The extent to which correct procurement rules have been followed in relation to the site and any disposal of publicly owned land or assets**
   d. **The sale of land at the site to private sector partners**
   e. **Potential conflicts of interest between various parties, and contractors carrying out remediation or other works at the site**
   f. **The evidence of investment from private sector partners in the context of significant public investment in remediation of the site**
   g. **The adequacy of transparency and accountability underpinning key decisions, including ongoing engagement with, and reporting to HMG.**

While there is much that does follow due process, the ceding of control by TVCA, under the oversight of successive former monitoring officers and the permissive scheme of delegations within STDC and TVCA mean that most decisions are vested in a small number of individuals. This together with the limited reporting means that there is not a robustness within the system. Inappropriate decisions and a lack of transparency which fail to guard against allegations of wrongdoing are occurring, and the principles of spending public money are not being consistently observed. Examples of this would be the appointments of officers without an open and transparent process, and the agreement of transactions that may breach subsidy control requirements.

Conflicts of interest are not observed. The appointment of group statutory officers, some of which is a legal requirement, causes confusion and many stakeholders do not know in what capacity the statutory officers are advising. While there is an implicit role in formal meetings, beyond this it can be unclear.

We are pleased to see that the group Chief Executive has updated her register of interests to record her role as a Director of TWL and other bodies. Better control needs to be enacted to ensure representatives of the JV partners do not attend private meetings of the STDC Board.

7. An assessment of the effectiveness of arrangements for external scrutiny of STDC and Teesworks Joint Venture (including Teesworks Ltd), including independent audit, and of the relevant parties' response to any findings or recommendations from the process

There is no independent scrutiny of TWL by STDC or TVCA. Internal audit do however talk in positive terms about their audit findings in relation to STDC. External audits are awaiting the outcome of this report before comment. The Panel's view is that independent scrutiny through the audit process could have been stronger in identifying governance weaknesses in support of the Mayor and executive team in meeting their statutory duties.

It is the Panel’s view that audit could have raised some of the issues identified in the report. External audit now need to finalise their audits for 2021/22 onwards, including their work on value for money arrangements, making any necessary adjustments to their risk assessments and work programmes moving forward.

As part of that process, the review will focus on the following themes, reflecting the Government’s existing approach for assurance reviews of local authorities and general principles of economy, efficiency, and effectiveness:

- **Governance - e.g., sense of strategic vision and direction; adequate internal processes and scrutiny; key senior posts filled with permanent appointments; effectiveness and transparency of decision making and external scrutiny arrangements (including independent audit); relationships between organisational leadership and officers; openness to challenge; focus on improvement**
- **Finance - e.g., quality and robustness of financial management and accounting, arrangements, ability to deliver value for money with public money; effective management of financial and commercial risks.**

Based on the evidence from the review the governance and financial management arrangements are not of themselves sufficiently robust or transparent to evidence value for money.

23. Glossary

Able – Port operator. Potential development partner, not being pursued.

BEIS – Department for Business, Energy and Industrial Strategy

CA - Combined Authority. TVCA is a combined authority.

CEO/Chief Executive/Head of Paid Service – statutory responsible for proper coordination of all functions as well as organising staff and appointing appropriate management.

Constituent authorities – the 5 local authorities that make up the Tees Valley geographical area of the combined authority.

Constituent members – the Leaders of the 5 local authorities that make up the Tees Valley geographical area of the combined authority.

CPO – Compulsory Purchase Order

DC – Development Corporation

DCS/DCS Ltd. – DCS Industrial Ltd. a company jointly owned by the JV Partners. Holds 40% shares in TWL

DLUHC – Department for Levelling Up, Homes and Communities

ERF – Energy Recovery Facility

FoI – Freedom of Information

GE – General Electric. A potential leaseholder, no longer in active discussion.

JV – Joint Venture

LA 2011 – Localism Act 2011

MDA – Mayoral Development Areas

MDC – Mayoral Development Corporation. STDC is an MDC

Monitoring Officer – statutory officer responsible for the operation of the constitution, matters of legality and the conduct of councillors and officers

MoU – Memorandum of Understanding

MRP – Minimum Revenue Provision. Monies set aside to repay debt.

NES – North East Securities. a service provider.

NLM – Northern Land Management Limited. Company owned in part by one of the JV Partners and holds 25% shares in TWL.

NZT – Net Zero Teesside Power. Leaseholder - proposed combined cycle gas turbine electricity generating station.

O&S - Overview and Scrutiny

RBT – Redcar Bulk Terminal – owner of land and operator within the Teesworks site. Subject to CPO.

R&C – Redcar and Cleveland Borough Council

RTD – Redcar Town Deal

SA1 – Basis of a settlement between the Mayor, STDC Officers, JV Partners and SSI whereby SSI would withdraw its objections to the CPO in return for STDC transferring to it 330 acres of the CPO land and the JV Partners RBT Option land to enable it to pursue development of the Redcar Bulk Terminal. The agreement, referred to as SA1 was prepared and signed on 20th February 2020.

SA2 - The subsequent decision of the Mayor/STDC officials in June 2020 to withdraw from the first settlement and enter a second settlement agreement with the Thai banks regarding the CPO land which involved incurring costs of £16m for land purchase.

SeAH – SeAH Steel Holdings. A leaseholder on the Teesworks site.

SIA – Security Industry Association

South Bank Quay - a plot of land on the Teesworks site to be developed and operated as a port

SSI – Sahaviriya Steel Industries. Landholder on Teesworks site, subject to CPO.

Statutory Officers - the officers a local authority/public body is required to have in law

STDC – South Tees Development Corporation

STEL/STE – South Teesworks Enterprise Limited. The company owned by the JV Partners that later became TWL.

STSC – South Tees Site Company. The company now owned by STDC and responsible for the keepsafe of the Teesworks site.

S73 Officer/Finance Officer – statutory officer responsible for the arrangements for the proper administration of financial affairs.

TCC – TCC Plant Limited. A provider of services.

Teesworks – the generic term that represents the project to remediate and redevelop the former Redcar steelworks following the liquidation of the then steelworks owner SSI (Sahaviriya Steel Industries UK Ltd)

The Executive – refers to the three statutory officers.

The JV Partnership – refers to structure of individuals and companies that sit behind TWL.

The JV Partners – Joint venture partners Chris Musgrave and Martin Corney

TVAF – Tees Valley Assurance Framework

TVCA – Tees Valley Combined Authority

TWL – Teesworks Limited. The JV Partnership between STDC and the JV Partners.

VFM - Value for Money

UKIB – UK Infrastructure Bank. Has loaned monies to TVCA.

24. Appendix

Appendix 1

Terms of reference: Independent Review into the Tees Valley Combined Authority's oversight of the South Tees Development Corporation and Teesworks Joint Venture

On 24 May 2023, the Secretary of State for Levelling Up, Housing and Communities wrote to Ben Houchen, Tees Valley Mayor, to confirm that he had taken the exceptional decision to support the commissioning of an independent review of the South Tees Development Corporation (STDC) and Teesworks Joint Venture. This followed allegations of corruption, wrongdoing and illegality around the operations of Teesworks and a letter from Mayor Houchen to the Secretary of State on 16 May seeking an independent review of the matter by a 'relevant body', reflecting the Mayor's concern that continued allegations would undermine confidence in the site.

The department has seen no evidence of corruption, wrongdoing, or illegality, but recognises that the continued allegations pose a risk to the governments and the combined authority's shared ambitions to deliver jobs and economic growth in Teesside. The review will include consideration of these specific allegations made in relation to the Joint Venture, and ascertaining the facts is the primary basis for the Secretary of State seeking this independent review.

As part of that process, the review will focus on the following themes, reflecting the government's existing approach for assurance reviews of local authorities and general principles of economy, efficiency and effectiveness:

- Governance - e.g. sense of strategic vision and direction; adequate internal processes and scrutiny; key senior posts filled with permanent appointments; effectiveness and transparency of decision making and external scrutiny arrangements (including independent audit); relationships between organisational leadership and officers; openness to challenge; focus on improvement.
- Finance - e.g. quality and robustness of financial management and accounting, arrangements, ability to deliver value for money with public money; effective management of financial and commercial risks.

In view of the serious allegations of corruption, wrongdoing and illegality that have been made in relation to the Teesworks Joint Venture, the government has asked the review to specifically to respond on that issue. The following specific questions/issues have been identified for the review to explore:

1. An assessment of the governance arrangements at the STDC, including how decisions are made and the transparency of those decisions.

2. An assessment of the arrangements through which the Tees Valley Combined Authority (TVCA) meets it responsibilities for effective and appropriate oversight of the activity of the STDC (the Mayoral Development Corporation responsible for the Teesworks site) and the Teesworks Joint Venture (the public-private partnership between the STDC and its partners).

3. An assessment of the processes, systems and delivery mechanism in place to deliver the expected value and benefits of the Teesworks Joint Venture.

4. An assessment of the arrangements and capacity in place to ensure that decision making across the TVCA, including STDC and Teesworks Ltd (the Joint Venture vehicle), is evidence-based (where practical), takes full consideration of value for money, and reflects an appropriate balance of risk and reward between the public and private sector.

5. An assessment of the level of confidence by which the government have that key decisions to date in relation to the Teesworks Joint Venture have been evidence-based and taken appropriate consideration of value for money.

6. An assessment of the robustness of local systems and operations in place to guard against any alleged wrongdoing, in particular in relation to:

- The sale of the site now occupied by SeAH Wind.
- The change in the Teesworks ownership structure in August 2021 from 50% public to 90% private.
- The extent to which correct procurement rules have been followed in relation to the site and any disposal of publicly owned land or assets.
- The sale of land at the site to private sector partners.
- Potential conflicts of interest between various parties, and contractors carrying out remediation or other works at the site.
- The evidence of investment from private sector partners in the context of significant public investment in remediation of the site.
- The adequacy of transparency and accountability underpinning key decisions, including ongoing engagement with and reporting to His Majesty's Government (HMG).

7. An assessment of the effectiveness of arrangements for external scrutiny of the STDC and Teesworks Joint Venture (including Teesworks Ltd), including independent audit, and of the relevant parties' response to any findings or recommendations from that process.

Appendix 2

A list of individuals who submitted written evidence and/or attended interviews is below:

Name	Role	Organisation	Submitted Evidence – E Interviewed - I
Julie Gilhespie	Group Chief Executive	TVCA	E + I
Gary MacDonald	Group Director of Finance and Resources	TVCA	E + I
Emma Simson	Acting Group Legal Officer and Monitoring Officer	TVCA	E + I
Ben Houchen	Mayor	TVCA	E + I
Neil Schneider	Board Member Former Chief Executive	STDC Stockton on Tees Council	E + I
John Sampson	Managing Director Board Member (associate)	Redcar & Cleveland Council STDC	E + I
Sue Jeffrey	Board Member Cabinet Member Overview & Scrutiny Audit Committee Leader	STDC TVCA TVCA STDC Redcar & Cleveland Council	E + I
Simon Clarke MP	Member of Parliament	Middlesborough & South East Cleveland	E + I
Andy McDonald MP	Member of Parliament	Middlesbrough	E + I
Graham Robb	Board Member	STDC	E + I
Margaret O'Donoghue	Overview & Scrutiny Councillor	TVCA Redcar & Cleveland Council	E + I
Jonathan Munby	Audit Committee	TVCA	E + I
Chris Cooke	Cabinet	TVCA	E + I
David Smith	Board Member	STDC	E + I
Paul Booth	Board Member Audit Committee Former Acting Chief Executive	STDC STDC STDC	E + I
Cllr Bob Cook	Cabinet Leader	TVCA Stockton on Tees Council	I
Chris Musgrave	Joint Venture Partner		E + I
Martin Corney	Joint Venture Partner		E + I
Steve Gibson	Board Member Audit Committee	STDC STDC	I

Name	Role	Organisation	Submitted Evidence – E Interviewed - I
Mary Lanigan	Board Member Cabinet Former Leader	STDC TVCA Redcar & Cleveland	I
Vicky Davis		National Audit Office	I
Cath Andrews	External Audit	Mazars	I
Cameron Waddell	External Audit	Mazars	I
Tim Cares	Partner	Ward Hadaway Solicitors	I
Victoria Pescod	Lawyer (Observer)	TVCA	I
Dr Tom Smyth	Board (associate) Deputy Head, Yorkshire, Humber & Northeast Areas Directorate	STDC BEIS	E + I
Ian Williams	Chief Executive	Darlington Council	I
Mike Greene	Chief Executive	Stockton on Tees Council	I
Paul Rowsell	Head of Governance Reform and Democracy Unit	DLUHC	I
Matthew Storey	Audit Committee Overview & Scrutiny Deputy Leader	TVCA TVCA Middlesbrough Council	I
Lord Heseltine			I
Elizabeth Davison	S151 Officer	Darlington Council	I
John Baker	Board Member Audit Committee	STDC STDC	E + I
Phil Winstanley	S151 Officer	Redcar & Cleveland Council	I
Richard Brooks	Reporter	Private Eye	E + I
Garry Cummings	S151 Officer	Stockton on Tees Council	I
Denise McGuckin	Managing Director	Hartlepool Borough Council	I
Andrew Nixon	Monitoring Officer	TCVA & STDC 2017 – Sep 2020 Redcar & Cleveland Council	I
Charlotte Benjamin	Monitoring Officer	Middlesborough Council	I
Robert Cuffe	Board Member	STDC	E
Jacob Young MP	Board Member Member of Parliament	STDC Redcar	E
Councillor Tony Riordan	Councillor	Stockton on Tees Council	E
Iain Robson	Group Finance Director	ADL Developments Ltd	E

Dave Budd	Mayor of MiddlesbroughBoard member	TVCA and STDC	E
Reverend Paul Cawthorne	Specialist Researcher		E
Sally Bunce	Councillor	Loftus Town Council	E
Leigh Jones	Investigative Reporter	Yorkshire Post	E
Scott Hunter	Reporter	Tees Valley Monitor Ltd	E
Tristan Learoyd	Councillor & Chair of R&D Regulatory Committee	Redcar and Cleveland Council	E

Appendix 3

Timeline of Key Events

Date	Activity
September 2015	The Sahaviriya Steel Industries (SSI) Steelworks in Redcar closed with the loss of more than 3,100 jobs.
April & June 2016	Devolution Deal agreed to establish TCVA and Mayor
June 2016	Lord Heseltine’s report Tees Valley: Opportunity Unlimited is published
October 2016	STSC established to manage and keep safe the SSI land
February 2017	Discussions commence with major landowners
March 2017	Tess Valley Combined Authority (Functions) Order comes into effect
April 2017	Formal Without Prejudice offer of ‘gain share’ delivery proposal made to Thai Banks
May 2017	Ben Houchen Is elected as the first Mayor of the Tees Valley Combined Authority (TVCA).
May 2017	Thai Banks reject gain share proposal due to timing uncertainties
August 2017	STDC formally established
September 2017	STDC Board resolved to begin preparations for the making of a CPO pursuant to sections 201 and 207 of the Localism Act 2011 and the Acquisition of Land Act 1981
November 2017	STDC Board updated on progress with private treaty negotiations and preparations for making a CPO and resolved to appoint land referencing agents to confirm land interests
February 2018	STDC proposed an in-principal resolution to make a CPO
May 2018	STDC Supplementary Planning Document approved with R&C
July 2018	STDC resolved to proceed to make one or more CPOs and to refer the consent to TVCA to submit the CPO(s), once made, to the Secretary of State for confirmation
September 2018	STDC endorsed the land area required for development
January 2019	TVCA Cabinet approved the funding for the land acquisition and Investment Plan support STDC (£56.5m);

March 2019	TVCA Cabinet and STDC Board consented to the submission of the CPO
Late 2019	Three Thai Banks (Siam Commercial Banks, TISCO and Krung Thai), who were SSI UK's main creditors, object to the Government's plans for the compulsory purchase of the Steelworks in Redcar.
November 2019	JV Partners acquire option on 70 acres of Redcar Bulk Terminal Land
December 2019	TVCA approves commercial loan to Tees Valley International Airport and endorses their plan to enter into a JV with the JV Partners.
December 2019 – February 2020	Negotiations between JV Partners, SSI, STDC and Mayor on leverage of RBT land option.
February 2020	STDC agree settlement with SSI and the Thai Banks ("SA1"), to proceed with the CPO, and establish to 50/50 JV with the JV Partners. Delegated authority to CEO to conclude the JV and SA1.
March 2020	TVCA agree to proceed with CPO and delegates its reserve powers to STDC for the purposes of forming the JV.
March 2020	STDC establishes the joint venture company (initially known as South Tees Enterprise Ltd) with a 50/50 split between STDC and the JV Partners.
April 2020	Inspector Philip Ware, acting under powers delegated to him by the then Secretary of State confirmed the CPO without modification.
June 2020	STDC Chief Executive and JV partners agreed "Supplemental Deed" effectively transferring 50% of value of recyclable materials to JV partners
June 2020	Government approves STDC business case for remediation and development of Teesworks site
July 2020	STDC withdraw from first settlement agreement and enter into second settlement agreement ("SA2")
July 2020	Teesworks Limited established by amendment of the company formerly named as South Tees Enterprise Limited.
Summer 2020	Government agreed funding of £125.75m to TVCA between 2020 and the end of 2022/23 financial year.

January – March 2021	An additional £20m provided by BEIS to support the development of an offshore wind manufacturing centre.
March 2021	Government announcement of Teesside Freeport
July 2021	TVCA agrees Headlease for GE for Teesworks site
August 2021	STDC Board agreed 90:10 JV Partnership in favour of the JV partners
November 2021	Mayor's decision to approve disposal of parts of Teesworks site at less than best consideration
November 2021	TVCA agrees borrowing of £106m for development of South Bank Quay
July 2022	STDC Board agree proposed transaction with SeAH Wind Investments
October 2022	TVCA Cabinet agree change from GE to SeAH as anchor tenants
March 2023	TVCA Cabinet approved granting of SeAH headlease
March 2023	STDC agreed delivery model for NZT

Appendix 4

Teesworks Project - Schedule of Key Legal Documents

2020	
2020-02-20	**First Settlement Agreement (SA1)** An agreement between STDC, Official Receiver (OR), SSI UK, SSI PCL, DCS Industrial Ltd, DCS Industrial (South) Limited. Title:- Settlement Agreement relating to the South Tees Development Corporation (Land at former Redcar Stee Works, Redcar) Compulsory Purchase Order 2019. This agreement was intended to reflect the negotiated settlement between the various parties which relied upon the RBT Option Land owned by the JV Partners which provided leverage over SSI/Thai Banks because the land was necessary to enable the SSI/Thai Banks proposal for a Bulk Terminal. The settlement also provides for a second piece of land to be allocated to SSI/Thai Banks for the purpose of an Electric Arc Furnace. (Lackenby Land) Provides for various transfers of land with a view to enabling the land assembly for Teeswork project and for the SSI/Thai bank proposals. In return, SSI/Thai banks agree to withdraw their objections to the CPO which will enable the bulk of the land assembly. A key condition is that Within 12 weeks of the signing of the SA1 agreement the Thai banks must submit to the OR a release of security on the Site 1a. The 'Condition'. The deadline for the Thai banks to comply was 5th May 2020. In the event they didn't submit the release and the SA1 agreement didn't crystallise. The agreement includes the surrender of the RBT option held by the JV partners to enable SSI PCL to develop their Bulk Terminal proposal. It also includes the obligations on STDC to release the Lackenbury land to SSI PCL in order that they can pursue an electric arc steel facility with Jangyre Ltd. N.b. there is a requirement for the Thai banks to submit a Deed.
	50/50 JV
2020-03-13	**Shareholders Agreement (JV1)** Between:- Northern Land Management (NLML); JC Musgrave Capital Ltd; STDC; STEL The Shareholder Agreement is the basis on which the Joint Venture is established. There is no separate JV agreement setting out in detail the basis and purposes of the JV. Relates to a newly formed company described as JVC with the shareholding:-

	STDC 2 shares NLML 1 JCM 1 Para 2.1 and 2.2 describe the 'Business of the JVC' as follows:- *2.1 The business of the JVC is the development and commercial exploitation of land south of the River Tees broadly contiguous with the South Tees Development Corporation boundary.* 3.3.3 Provides for the appointment of David Allison (Former CEO of TVCA & STDC), M Corney and J Musgrave as Directors. Clause 5 refers to matters requiring the consent of shareholders – Reserved Matters – and these are listed in Sched 2 of the agreement. 6.11 Provides that the Quorum at a meeting is all three Directors. A B & C.
2020-03-13	**Option Agreement** relating to land on the South Bank of the River Tees at Redcar. STDC – STEL **Option Agreement** Relating to Land on the South Bank of the River Tees at Redcar. DCS Industrial (South) Limited. – STEL **Option Agreement** Relating to Land on the South Bank of the River Tees at Redcar. STDL – STEL These three option agreements provide the mechanism by which Teeswork land assembled by various means, would be drawn down by TWL (Formerly STEL). The cost of the option (Option sum) is £1 The Purchase Price is the 'Market Value' as defined by the option agreement and if they can't agree an expert will be appointed to determine. 30 year option period The costs of draw down (for Tata land £7,536 per acre within 6 months after which it's) the market value. Para 3 The Option agreements specifically provides a licence for the Developer to enter the land and undertake demolition, remediation etc. within the option period. Para 3.3 provides for payments to be made to the Developer for undertaking particular types of work such as maintaining the site.
2020-03-13	**Put and Call Option Agreement** in respect of the entire issued share capital of DCS Industrial (South) Limited. STDC; DCS Industrial Ltd, (DCS) Agreement for the option for STDC to buy 100% shares of DCS Ind (South) Limited which was intended to be the recipient of various parcels of land.
2020-03-13	**Commission Fee Arrangement**

	Between DCS Ind Limited; DCS Ind (South) Limited; STDL; STDC; This provides that when land is drawn down by TWL under the options, DCS shall be entitled for a Commission Fee on that sale. This was intended to align with the 50/50 JV p/ship which arose in March 2020. Para 2.1 provides that DCS will be paid 50% of the 'Uplift' which is defined as the difference between the 'Base Value' and the Market Value. Base Land Value is either £1 or (£7536 for Tata Land). Clause 3.2 imposed a restriction on the sale of any land without the express permission of DCS.
2020-05-15	**Notice to Terminate the First Settlement Agreement (SA1).** STDC served the above notice due to the default of the Thai Banks – they didn't submit consent by the deadline.
2020-06-04	**STDC Published confirmation of the CPO**
2020-06-11	**Supplemental Deed v3** STDL; STDC; DCSIS; STEL (TWL); MLML; JCML Para 1 of The Deed variations adds provisions to the 3 option agreements (2020-03-20), which clarify that:- the Developer may remove scrap, minerals, aggregates etc. and the title to such materials shall pass to the Developer on removal from the property. Para 2 imposes a requirement that the Owner may only remove materials etc. with the permission of the Developer. It also makes changes to the Shareholder Agreement including the removal from the list of Matters Reserved for Shareholder Approval – 16. 'Declaring or Paying a dividend'
2020-06-30	**STDC made the General Vesting Declaration in respect of the CPO land.**
2020-07-14	**Second Settlement Agreement relating to the South Tees Development Corporation (Land at Former Redcar Steel Works, Redcar) Compulsory Purchase Order 2019** Between:- STDC; SSI UK; Kenneth Beasley; SSI PCL;

	Recital O:- *The intended outcome of this agreement is to enable the regeneration of the former Redcar Steelworks site and to compensate the Thai Banks for the loss of their interest in the CPO land in full and final settlement of all claims.* 2.1 SSI agrees not to challenge the CPO. 3.2 STDC will pay £15m to Thai Banks 3.2.2. SSI PCL relinquishes all claims against STDC arising for the CPO including the First Settlement Agreement 7.1 SA1 shall be set aside and have no further effect.
2020 -09-20	**First MoU MHCLG; BEIS & TVCA** MHCLG; Dept, for Business, Energy & Industrial Strategy (BEIS); TVCA Sets out the terms principles and practices that will apply to the working relationship between MHCLG; BEIS and TVCA to redevelop the SSI Site. Covers FY 20-21 only. <table><tr><td>Financial Year</td><td>Total (£m) BEIS</td><td>Total (£m) MHCLG</td><td>Total (£m)</td></tr><tr><td>20/21</td><td>16.827</td><td>4.242</td><td>21.069</td></tr><tr><td>21/22</td><td>46.1</td><td>10.006</td><td>56.106</td></tr><tr><td>22123</td><td>21.819</td><td>25.662</td><td>47.481</td></tr><tr><td>Total 20/21-22/23</td><td>84.746</td><td>39.910</td><td>124.656</td></tr></table> The MoU states that S.31 grant money will be paid to TVCA to enable STDC and STSC to progress the work on the SSI site. *3.4. TVCA will ensure that in using this funding all necessary legal requirements are complied with, including State aid. In particular, in relation to the Commission Agreement dated 13 March 2020 between STDC and STDC's Joint Venture (JV) Partners it will be ensured that any commission payments paid to the JV Partners under the Commission Agreement are not calculated on the basis of any increase in land values as a result of work done by STDC using this funding.* The above imposes obligations on TVCA to ensure that the grant funding is used in a lawful manner and the MoU specifically identifies the Commission Fee arrangement for particular scrutiny.

	4.5.1. There is an expectation that TVCA will provide regular project, financial and risk reporting in an agreed format to MHCLG and BEIS, in such format as they reasonably require from time to time, demonstrating that the previous funding has been spent and outcomes are being met, in line with the agreed business case. *7.1. MHCLG and BEIS will provide grant funding subject to TVCA hereby agreeing to full transparency, open book working and a duty of good faith in regard to all matters relating to the project, TVCA, and this MOU.*
2021	
	90/10 JV
2021-11-26	**Deed of Adherence and Variation – (90/10 JV)** Between: TWL: DCSIL; NLML; JCMCL; STDC The Deed notes that STDC has transferred 40 of its 50 TWL shares to DCSIL. This is supplemental to the Shareholders Agreement of 2020-03-13 (SHA) which is amended as provided by Schedule 2 of the Deed. Clause 4. The revised SHA changes the Quorum requirement for Board meetings to enable a quorum of the 2 JV Partner Directors and doesn't provide for and STDC Director but instead under Cl 4.4 Provide that STDC may send a non-voting observer to Board meetings. Cl. 5.2 Provides that there is no obligation on the parties to provide any further finance to the JVC but if they do so, the parties shall each provide the same amount on the same terms unless they agree otherwise in writing. The reserved matters list was reduced to 11 matters
2021-11-26	**Supplemental Commercial Deed** TWL; STDC; DCS Ind Ltd (DCS); DCS Ind Devs Ltd. (DCSID) Concerns the GE Land development. Provides for a fee to be paid by TWL and DCSID to STDC for the provision of demolition and extraction of scrap services. The payment will be a sum of up to 50% of the Net Land Value. To be paid within 7 Days of receipt of money by TWL. Provides for a fee to be paid to DCS for Marketing Services in respect of the GE Land Disposal. Up to 50% of the Net Land Value

	If the above don't happen by 26-11-2022 they fall away and leave a obligation on TWL to pay £15m to STDC on disposal of the site. To be paid within 5 days of TWL receiving the disposal payment. Cl 15 obliges STDC to procure that the GE site is development ready within 18months of the date of the agreement. Cl 3 concerns Dividends and Other Payments and provides that STDC shall not be entitled to any dividends and/or distributions of of profits until such time that the amounts paid by TWL to STDC pursuant to the Scrap Agreement are equal to 10% of the cumulative distributable profits of TWL commencing from the Effective date. (01-08-21)
2021-11-26	**Commercial Deed: Scrap** TWL; STDC; DCS Clause 2. Provides for the payment by TWL to STDC, from the effective date (1st August 2021), of up to 50% of the proceeds of the sale of scrap recovered from the site in consideration for the demolition and extraction works provided by STDC – up to a maximum of £60m. Subject to the cashflow needs of TWL. Clause 3. Provides the same provision for payments from TWL to DCS of up to £60m from the proceeds of the sale of scrap in consideration for marketing services provided by DCS, but without the 'subject to the cash flow needs' provision.
2021-11-26	**Commercial Deed re PD Ports** TWL; STDC; DCS; Relates to the dispute between PD Ports and STDC regarding access to PD land across the Teeswork land. Clause 2. In the event that PD Ports pay cash consideration for access rights TWL shall be entitled to 50% of any sum up to a limit of £54m (50% of the Remediation Sum), to assist within TWL business. 2.2 TWL undertakes to use reasonable endeavours to expend that within 5 years. Clause 3. Provides that DCS shall be entitled to a fee for consultancy services in connection with the dispute up to £54m – to be paid within 7 days of the invoice.
2021-11-26	**Commercial Deed re Land Value** TWL; STDC; DCS; DCSID

	Cl 2. Makes provision for the payment by TWL and DCSID of a fee to STDC of up to 50% of any Net Land Value in connection with the GE Site. (Presumed to be approx £15m at the time). In consideration of STDC managing and funding the demolition and remediation of the site. It is suggested that this was intended to compensate STDC for the fact that the GE project had been initiated during the 50/50 JV but would not complete until in the 90/10 and as such would have reduced the share going to STDC. Cl 4. It also provides for a payment of a fee to DCS for the provision of Marketing Services in connection with the GE site, of up to 50% of the Net Land Value. Cl 4.3 Provides that in the event TWL undertakes, prior to disposal, any works to make the site Development Ready. The Disposal Payment shall be reduced by the amount which TWL incurred.
2021-11-26	**Option Agreement – Rights of Emergency Access for PD Ports** STDL; TWL; STDC Grants an option to the Developer to require the Owner to grant access rights to the benefit of certain PD Ports land.
	Agreement/Lease with SeAH Wind No Copy Agreement with SeAH wind for the Sub-lease of the land on which the Wind Turbine factory will be located.
2021-11-26	**Deed of Release of Commission Fee Arrangement** DCS; DCSIS; STDC; STDL. In consideration of the transfer by STDC to TWL, of 40 TWL shares DCS releases STDC; DCSIS; STDL from the obligation to pay the Commission Fee.
2021-11-26	**Second Supplemental Deed relating to land on the South Bank of the River Tees** STDL; STDC; TWL; Supplemental and collateral to the Option Agreements and varies the terms of those options. (N.b. the DCS option had become redundant because it didn't hold any land on the site). References a valuation by Knight Frank which assessed the notional land value of the Property as £1 on the basis of the inherent funding shortfall of approximately £109,466,500 associated with remediating and providing the necessary infrastructure of the Property.

	Cl 6.1 In the event STDC creates an estate management co Cl 6.1 Creates an option for TWL to acquire that company at market value upon serving written notice to STDC. Cl 6.2 – In the event of service of a notice STDC shall transfer any rent charge and assign the benefit of any covenants. Amends the purchase price under the Option Agreements to £1 (Indexed) to reflect the agreement that the market value was effectively a negative amount. To provide that if TWL exercised its option over any part of the Quay Land it would immediately grant STDC a lease of that land. This was because STDC/TVCA were funding the construction of the Quay from a UKIB loan which would need to be funded from income generated by the operation of the Quay. A form of lease is appended and A form of Quay Operating Agreement which provides that once STDC completes the construction of the Quay, inconsideration of the fees in Clause 5, it will appoint Teeswork Quay Limited (TWQL) to operate the Quay. Clause 5 provides that any fee paid by TWQL shall not exceed the annual cap of £3,602,416 subject to a cumulative cap of £170m. N.b. Also appended is the NEC contract between STDC and John Graham Construction Ltd for the construction of the Quay. (N.b. Query whether there was a tender competition for this?).
2022-10-11	**Transfer of Title – South Quay** STDC; TWL HM Land Registry Document Recording Transfer of the title of the Quay land from STDC to TWL for the sum of £16.27.
2022-10-11	**Lease of South Bank Quay** TWL; STDC TWL grant a lease of the South Bank Quay Land to STDC with a term of 99 years.
2022-10-11	**Quay Operating Agreement** STDC; TWL; TWQL STDC appointed TWL as the operator of the new South Bank Quay

2022-12-16	**Deed of Variation relating to South Bank Quay** Payment to STDC to cover costs of additional works on the Quay. TWL; STDC; TWQL A deed which makes changes to the Quay Operating Agreement and to the Lease held by STDC over the South Quay. Increased the rate to be paid by TWQL to STDC (£3602416 - £3936884) in recognition of the additional £6.5m they had to spend on an additional aspect of the Quay.
2022-12-16	**Supplemental Land Value Deed** TWL; STDC; TVCA; DCS; JCML; NLML; DCSIDL. This replaced both the Commercial Deed re GE Transaction and the Commercial Deed re Land Value, because the original deal had fallen through and had been replaced by an arrangement with SeAH Wind. This new agreement required TWL to make a payment of £15m to STDC by no later than the 3rd anniversary of the agreement. (2025/12/16) *CL2.1 TWL shall make a Disposal Payment (£15m) to SRDC by no later than the longstop date. (16-12-2025).* *CL2.2. Provides that STDC acknowledges the TWL's ability to pay the Disposal Payment may depend upon its ability to generate an appropriate level of cash or capital receipt which is anticipated will be realised if TVCA enters in to a TVCA Lease or Leases and accordingly TVCA shall enter into a TVCA Lease or other Commercial Arrangements promptly following written request by TWL.* The Deed also imposes a requirement on TVCA to enter into up to 3 leases (Including the first SeAH lease), and TVCA must act 'promptly' following a written request to do so from TWL. The Schedule to the Supplemental Land Value Deed also varies the Scrap and Supplemental Commercial Deed.
2023-03-23	**Draft Third Supplemental Deed** Draft prepared by Ward Hadaway – no copy of final version provided.
2023-04-23	**Deed of Variation** No copy provided.

Department for Levelling Up, Housing & Communities

Rt Hon Michael Gove MP
Secretary of State for Levelling Up, Housing & Communities
Minister for Intergovernmental Relations
2 Marsham Street
London
SW1P 4DF

Mayor of Tees Valley Combined Authority
Teesside Airport Business Suite
Teesside International Airport
Darlington
DL2 1NJ

29 January 2024

Dear Lord Houchen,

On 16 May 2023 you approached Government regarding an independent review of the South Tees Development Corporation (STDC) and Teesworks. You raised concerns regarding the allegations made in parliament by Andy McDonald MP of 'dubious dealings' and 'industrial-scale corruption'. You were particularly concerned about the damaging effects that these allegations could have on investment and job creation across Teesside. I wrote to you on 24 May 2023, noting that the exceptional circumstances meant I would establish such a review. I appointed an independent Panel to report to me, with the Terms of Reference published on gov.uk.

Today, I have published the independent panel's report into the Tees Valley Combined Authority's (TVCA) oversight of the STDC and Teesworks Joint Venture. My colleague, Lee Rowley, is also making a statement to Parliament setting out our assessment of the report and its recommendations. I am grateful to the Panel for their work and to you, your members and officers, and other partners, for your cooperation with the review, providing the Panel with information requested, and meeting with them to aid their investigation.

Their report makes clear that the panel found no evidence of corruption or illegality. I know you will strongly welcome this conclusion. They also note that the pace and scope of the regeneration has had wide-reaching positive impact on the local economy, which we all welcome. The panel report identifies a 'need to strengthen governance and increase transparency which can be done with limited impact on pace of delivery' and makes recommendations as to how to address these by strengthening scrutiny and improving public accountability to the residents of Teesside. There are some specific areas for improvement and lessons to be learned, which I know you will also welcome. I am grateful for your assurance that you stand ready to accept in principle the recommendations, while recognising that the panel also made recommendations to Government which will be carefully considered and to which I will respond in due course.

I ask that you now engage with the panel's recommendations, working with the Combined Authority and partners as appropriate, and provide me with an initial report by 8 March on how you intend to respond to the Panel's recommendations. I will not take decisions on further action until you have responded. My officials stand ready to support yours, with your response to these recommendations.

A copy of this letter will be placed in the House libraries.

With every good wish,

RT HON MICHAEL GOVE MP
Secretary of State for Levelling Up, Housing and Communities
Minister for Intergovernmental Relations

AGENDA ITEM 6
REPORT TO THE HDC BOARD

19TH FEBRUARY 2024

REPORT OF ACTING MONITORING OFFICER

GOVERNANCE & ELECTION PERIOD UPDATE

SUMMARY

On 6 May 2021, Ben Houchen was re-elected as Mayor of the Tees Valley for a second term of three years.

On 2 May 2024, voters in the Tees Valley (those Darlington Borough Council, Hartlepool Borough Council, Middlesbrough Council, Redcar & Cleveland Borough Council and Stockton on Tees Borough Council) will go to the Polls to elect the next Mayor of the Tees Valley.

In advance of the Mayoral Election, the Tees Valley Combined Authority and its constituent authorities will enter a 'Pre-Election' period (formerly known as 'Purdah').

Members of the Hartlepool Development Corporation will need to be cognoscente of the Pre-Election Period. For this purpose, this report sets out Guidance in relation to the Pre-Election Period.

RECOMMENDATIONS

It is recommended that the Hartlepool Development Corporation Board:

i. Notes the Guidance in the Appendix to this Report.

DETAIL

1. On 6 May 2021, Ben Houchen was re-elected as Mayor of the Tees Valley for a second term of three years.

2. On 2 May 2024, voters in the Tees Valley (those Darlington Borough Council, Hartlepool Borough Council, Middlesbrough Council, Redcar & Cleveland Borough Council and Stockton-on-Tees Borough Council) will go to the polls to elect the next Mayor of the Tees Valley.

3. Following approval by TVCA Cabinet on 30 June 2023 Mike Greene, Chief Executive of Stockton-on-Tees Borough Council, was appointed as Returning Officer for the 2024 Mayoral Election. As such, Stockton Council will deliver the election.

4. In advance of the Mayoral Election, the Tees Valley Combined Authority and its constituent authorities will enter a 'Pre-Election' period (formerly known as 'Purdah').

5. Members of the Hartlepool Development Corporation will need to be cognoscente of the Pre-Election Period. For this purpose, this report sets out Guidance in relation to the Pre-Election Period.

6. Attached to this Report in the Appendix, is guidance for Members in relation to that Pre-Election Period.

FINANCIAL IMPLICATIONS

7. There are no financial implications as a result of the content of this Report.

LEGAL IMPLICATIONS

8. There are no direct legal implications as a result of the content of this Report.

9. Members are reminded that they are able to take advice from the Monitoring Officer or the Governance Team in respect of the Pre-Election Period and contact details are at the foot of this Report for that purpose.

RISK ASSESSMENT

10. There are no risks identified as a result of this Report.

CONSULTATION & COMMUNICATION

11. There has been no consultation in respect of the content of this report.

EQUALITY & DIVERSITY

12. It is not expected that the subject of this report will have an effect on groups of people with protected characteristics.

Name of Contact Officer: Emma Simson
Post Title: Acting Monitoring Officer
Telephone Number: 01325 792600
Email Address: emma.simson@teesvalley-ca.gov.uk

Agenda Item 6 - Appendix

Pre-Election Period (PEP) of Sensitivity

Guidance for Members and Officers

Mayoral Election 2024

Introduction

1. Officers and Members will be aware that the Tees Valley Mayoral Election will be taking place in The Combined Authority's Constituent Authorities on Thursday 2 May 2024, and if you've been in Local or Central Government in a previous election, you will be aware that in advance of the election, as with any other, we will enter the Pre-Election Period – formerly known as 'purdah'.

2. Following approval by Cabinet on 30 June 2023 Mike Greene, Chief Executive was appointed as Returning Officer for the 2024 Mayoral Election. As such, Stockton Council will deliver the election.

3. The Pre-Election Period for the Combined Authority will commence on the date of the publication of Election Notice. Therefore, the **Pre Election Period will commence on 19 March 2024.**

4. Officers and Members are reminded that at all times care must be exercised to ensure that the political neutrality of officers is maintained with specific restrictions on publicity and the use of Combined Authority resources for political purposes.

5. The period immediately before an election has historically been informally called "purdah" or the "purdah period". The current terminology used is 'Pre-Election Period of Sensitivity' or 'PEP' for short. The phrase helps define the period of extra political sensitivity before an election but does not have a precise legal definition. For local government it reinforces the existing restrictions outlined in Section 2 of the Local Government Act 1986 (the 1986 Act). In addition, a Code of Recommended Practice on Local Authority Publicity (the Publicity Code) published in 2011 makes clear that particular care should be taken in periods of heightened sensitivity, such as in the run up to an election.

6. The basic principle is not to undertake any activity which could call into question the political impartiality of officers or could give rise to the

criticism that Combined Authority/Developme Corporartion resources are being used for party political purposes.

7. The principles of this guidance apply where an election or referendum affects some or all of the Tees Valley's residents. The election of the Tees Valley Mayor, is an example of just that.

Business as Usual/Decision Making

8. The presumption is that normal combined ority business will continue over the election period unless there are very good reasons why this should not be the case. Meetings of the Combined Authority, South Tees Development Corporation and Hartlepool Development Corporation Statutory Committees can continue as normal.

9. Although the Combined Authority is not prevented from taking decision in the pre-election period, it is important that any decisions that are taken would be seen as fair and reasonable by the public and those standing for office. Officers mindful of the election should adopt a common-sense, even-handed and pragmatic approach to their work and be guided by the principle of fairness. Officers and members should act with caution to reduce the risk of a challenge that a decision has been made on party political grounds rather than on its merits. This means that most routine decisions can be taken, but some decisions may need to be postponed where a particular initiative, proposal, consultation or publication could be regarded as giving a candidate or their supporters/political party an advantage in the election.

Publicity

10. Publicity produced by the Combined Authority is governed by the 1986 Act and by the Publicity Code. The 1986 Act prohibits the Combined Authority from publishing any material which appears in whole or in part designed to affect public support for a political party. The 1986 Act requires the Combined Authority to have regard to the Publicity Code at any time when a decision is taken about proposed publicity.

11. The Code says that Combined Authority publicity should comply with the following principles, and should:

   a. be lawful
   b. be cost effective
   c. be objective

d. be even handed
e. be appropriate
f. have regard to equality and diversity, and
g. be issued with care during periods of heightened sensitivity.

12. Publicity not only includes press releases issued to print, broadcast and social media, but also:
    a. most printed materials, which are sent to a wide audience;
    b. newsletters;
    c. information added to websites during the period;
    d. posters and leaflets;
    e. badges, t-shirts and other ‘giveaways’;
    f. advertising;
    g. exhibitions;
    h. conferences;
    i. consultation

13. In general, the Combined Authority should not issue any publicity which seeks to influence voters. Factors to be taken into account when considering whether or not the material appears in whole or in part designed to affect public support for a political party include:

    a. the content and style of the material;
    b. the time and circumstances of publication;
    c. the likely effect of the material on those to whom it is directed;
    d. whether the material promotes or opposes a point of view on a question of political controversy which is specifically identifiable as the view of one political party but not another;
    e. references to a political party or to persons identified with a political party;
    f. where the material is part of a campaign, the effect which the campaign appears to be designed to achieve.

14. In summary:

    a. no publicity will be given to matters which are politically controversial;
    b. the general presumption will be that no references will be made to individual politicians/candidates in press releases (except where there is a valid emergency);
    c. extra caution will be exercised before undertaking any significant media exercise unless it can be demonstrated that this was pre-

planned before the election was called. In some cases, it may be necessary to defer publicity and announcements until after the election. This will need to be carefully balanced against any implication that deferral itself could itself influence the election.

d. no photographs of candidates in the election will be issued;
e. we will not supply Combined Authority photographs or other materials to members unless they are required for official Combined Authority business and we have verified that they will not be used for campaigning or political purposes;
f. Combined Authority events arranged in this period should not involve candidates likely to be standing for election.
g. the Combined Authority can still issue media releases on factual matters provided that these do not identify individual members or groups of members.
h. members are still free to respond to enquiries received from the media in a personal capacity
i. individual members can issue their own statements, write letters to the local newspaper(s) for publication, contact the media directly or say what they like in a personal capacity, but must not use Combined Authority resources to do so.
j. it is still permissible for the Combined Authority to issue statements on behalf of a member holding a key political or civic position provided it relates to significant events or circumstances (such as an emergency) which are outside the Combined Authority's control and where a member response is justified. These instances are likely to be very exceptional.

Social Media

15. Officers and members who blog or use social media in their official capacity should take extra care during the purdah period and comply with the following guidance when undertaking member or officer duties:

    a. Do not tweet, post or share updates from political parties, politicians or political opinion;
    b. Do not tweet or post on matters which are politically controversial;
    c. Do not tweet, post or share images of political parties, politicians or subjects which are politically controversial;
    d. Do not stage a significant online campaign unless it can be demonstrated that this is both necessary and non-political;
    e. Monitor your page and delete any content which is politically controversial with an explanation that this has been done because

of the rules that govern the pre-election period linking to this advice;

f. For officers whose posts are politically restricted, note that the legal restriction on “publishing any written work with the intention of affecting public support for a political party” includes writing, sharing or retweeting content.

Communications Team

16. It is important that all officers take care to ensure that all matters relating to publicity and press releases are referred to the Communications team for proper consideration.

Use of Combined Authority facilities and resources

17. Candidates are legally entitled to use publicly funded schools and other public meeting rooms for public election meetings, free of hire charge. Note - it must be for a meeting which is open to the public. The entitlement takes effect from the date they officially become a candidate. Further guidance is set out in the information for candidates and agents issued on behalf of the Returning Officer.

18. Except for the use of public premises as outlined above, candidates, have no additional rights to any other member of the public. Reasonable use of facilities and information available to the general public should be available to them, and at the rates chargeable to the general public if applicable.

19. Combined Authority premises should not be used in any way to promote or signify any favour or support for any individual candidate or political party.

20. No political posters or similar campaign material should be displayed in any Combined Authority office or establishment or on cars used by officers for official business or which are parked in Combined Authority car parks that are not open to the public.

21. No political/election material should be displayed by any contractor working on behalf of the Combined Authority. Officers should make this clear in any relevant contracts with the Combined Authority.

22. Combined Authority resources include, but are not limited to: premises, staff time, printing, photocopying, stationery, telephones/fax, transport, postal services, ICT equipment and web facilities.

Political Campaigning by Members

23. The restrictions mean the Combined Authority as a corporate body must not inappropriately make resources available for political purposes or publish material which in whole or part appears designed to affect support for a political party or a candidate.

24. The restrictions are not intended to prevent members from engaging in political activity in their individual capacity. Members are free to campaign in the normal way during an election, including talking to the media, issuing press releases, using social media and so on, but must not use Combined Authority resources to do so. Members remain bound by the Members Code of Conduct and should ensure their conduct is in compliance with it.

25. The inappropriate use of resources for the purposes of a candidate's election as well as being unlawful in itself, may amount to an unlawful donation which will need to be repaid. There may also be issues over compliance with the Members Code of Conduct.

Officers and Political Restrictions

26. Officers should continue to discharge their normal duties during the pre-election period but need to be mindful of election sensitivity.

27. All officers, particularly during the pre-election period, must act apolitically and in an even-handed manner in their dealings with candidates, agents, members and the press/public.

28. When fulfilling their official duties, officers at all levels must not engage in party political activity that compromises their neutrality and objectivity at work. In particular officers should:

    a. not be seen to promote an individual (e.g. any candidate) or a political group or party associated with a candidate when fulfilling their duties, nor in any publicity they produce. This includes accepting any invitations to political meetings, photo calls, or being included in any campaign publicity e.g. leaflets;
    b. not arrange or accept any requests for public visits or meetings by candidates, agents or associated political groups or parties;

c. not circulate, or put on display, any election campaign material within Combined Authority premises. This includes posters and leaflets;
d. not give any opinions, comments or endorsements as a Combined Authority officer which can be seen to promote a candidate, a political party, or a political view;
e. not endorse or promote any Government scheme, policy, project or initiative, which is linked to or which may be regarded as promoting a candidate, political party or political view associated with the elections.

29. The restrictions above apply to officers acting in their office capacity, in addition a number of officers are in politically restricted posts (either because of the level of seniority or because of the regularity of involvement with elected members) and have greater restrictions about their involvement in politics outside of work.

30. Officers who hold politically restricted posts, or who are likely to be involved or employed in connection with an election, may not take part in a political campaigning on behalf of a political party or candidate.

Emma Simson
Acting Monitoring Officer.

AGENDA ITEM 7

REPORT TO THE HDC BOARD

19 FEBRUARY 2024

REPORT OF BUSINESS SOLUTIONS DIRECTOR & HEAD OF PLANNING

PLANNING UPDATE

SUMMARY

Responsibility for the determination of planning applications within the Hartlepool Development Corporation (HDC) boundary lies with HDC.

In accordance with the approved Scheme of Delegation, there are no planning applications due to be reported to Board for determination.

RECOMMENDATIONS

It is recommended that the Hartlepool Development Corporation Board note the updated position of planning service delivery and the status of planning applications submitted for consideration.

DETAIL

1. Delivery of planning service functions relating to town and country planning and development control within the Hartlepool Development Corporation area is now overseen by the Head of Planning for HDC, with operational services delivered through Lichfields.

2. Since the last Board meeting, three new planning applications have been submitted, both relating to land at Queens Meadows Business Park. There are nine ongoing planning applications currently being considered by HDC.

3. Three have been determined since the last Board meeting.

4. It is anticipated that three applications, all at Queens Meadows Business Park, will need to be reported to Board for determination, as required by the approved Scheme of Delegation, by virtue of their scale and strategic importance. One application proposes the erection of 3no. employment buildings, one application proposes the erection of up to 210 dwellings, and the third proposes the erection of 14no. employment buildings and up to a further 451,000sqft of employment floorspace.

5. Local planning authorities in England are required to submit quarterly returns to central government to provide summary information relating to the number and status of planning and related applications in each quarter. Access to complete this process for the Hartlepool Development Corporation was provided by the central government team in October 2023, and future quarterly returns have been submitted as required in October 2023 and in January 2024.

6. The Head of Planning has received three communications relating to planning enforcement within the HDC boundary. The first matter was investigated by Hartlepool Borough Council [the Council] and an enforcement notice was issued to regularise the breach of planning control. HDC is in the process of reviewing the details submitted by the occupier of the building and once approved, the works will be carried out to regularise the breach. One matter has been investigated and it is considered expedient to enforce against the breach of planning and an enforcement notice has been sent to the occupier of the building in question. The final matter relates to a retrospective planning application for the removal of a dormer window. The Council refused the planning application, and the Applicant subsequently appealed the decision. The Planning Inspectorate dismissed the appeal and HDC is in the process of deciding the appropriate action to be taken.

FINANCIAL IMPLICATIONS

7. There are no financial implications arising from this report.

LEGAL IMPLICATIONS

8. Planning Powers were conferred on to the Hartlepool Development Corporation on 1 June 2023, giving HDC the power to determine planning applications within the redline boundary.

RISK ASSESSMENT

9. This subject matter of this report is categorised as low risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

CONSULTATION & COMMUNICATION

10. The subject of this report is a matter for HDC Board information only therefore no additional consultation and communication has been undertaken.

EQUALITY & DIVERSITY

11. This report does not impact on groups of people with protected characteristics.

Name of Contact Officer: Helen Kemp
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TEES VALLEY

AGENDA ITEM 8
REPORT TO THE HDC BOARD

19 FEBRUARY 2024

REPORT OF GROUP DIRECTOR OF FINANCE & RESOURCES

BUDGET 2024-25 AND MEDIUM-TERM FINANCIAL PLAN

SUMMARY

The HDC constitution requires that the Corporation annually sets out a financial budget, which must be formally approved by the board each year. The Budget provides the financial framework within which the Corporation will operate in the forthcoming financial year (2024-2025) and over the medium term.

This report provides the budget for 2024-25.

RECOMMENDATIONS

It is recommended that the Hartlepool Development Corporation Board:

. Approves the Budget for 2024-25.

i. Delegates authority to the Chief Executive, Director of Finance & Resources and the Monitoring Officer for expenditure on initial project development up to £1m.

DETAIL

1. This report sets out the Budget for 2024-25 and the medium-term financial plan (MTFP) for the period to March 2028. The Budget presents all forecast funding and expenditure for the plan period.

2. For the MTFP period the Corporation will have a total of £98m available funding resources. This comprises £10m grant funding from the TVCA investment plan and £75m of borrowing.

Economic Outlook

3. UK inflation remained high over much of the period compared to the US and euro zone, keeping expectations elevated of how much further the Bank of England (BoE) would hike rates compared to the regions. However, inflation data published in the latter part of the period undershot expectations, causing financial markets to reassess the peak in BoE Bank Rate. This was followed very soon after by the BoE deciding to keep Bank Rate on hold at 5.25% in September, against expectation for another 0.25% rise.

4. Financial market Bank Rate expectations moderated over the period as falling inflation and weakening data gave some indication that higher interest rates were working. Expectations fell from predicting a peak of over 6% in June to 5.5% just ahead of the September MPC meeting, and to then expecting 5.25% to be the peak by the end of the period.

5. Following the September MPC meeting, Arlingclose, the Group's treasury adviser, modestly revised its interest forecast to reflect the central view that 5.25% will now be the peak in Bank Rate. In the short term the risks are to the upside if inflation increases again, but over the remaining part of the time horizon the risks are to the downside from economic activity weakening more than expected.

6. Financial market sentiment and bond yields remained volatile, with the latter generally trending downwards as there were signs inflation, while still high, was moderating and interest rates were at a peak.

7. Gilt yields fell towards the end of the period. The 5-year UK benchmark gilt yield rose from 3.30% to peak at 4.91% in July before trending downwards to 4.29%, the 10-year gilt yield rose from 3.43% to 4.75% in August before declining to 4.45%, and the 20-year yield from 3.75% to 4.97% in August and then fell back to 4.84%.

8. Arlingclose expects long-term gilt yields to eventually fall from current levels reflecting the lower medium-term path for Bank Rate. However, yields will remain relatively higher than in the past, partly due to quantitative tightening, with continued elevated volatility.

9. The Authority has been working closely with our treasury management advisors to establish the short- and long-term rate forecasts. This work has enabled various models to be produced with sensitivities conducted to inform a borrowing strategy which has informed the rates built into this budget.

10. Senior management have set parameters for accessing future borrowing to allow the Corportation to be agile in reacting to market changes in order to secure the most cost-effective rates.

11. The objective of the Development Corporation (DC) is to bring forward the regeneration of a defined area.

12. Following the success of the locally-led model to accelerate regeneration, secure private investment and create jobs – the Tees Valley Mayor created the Hartlepool Development Corporation. This will drive transformation in the local economy, reshape the area, attract investment, support business, increase productivity potential and enhance the overall offer for residents, businesses, and visitors.

13. HDCs priorities are to unlock untapped potential and opportunities in key sector growth such as digital, manufacturing, and creative industries and to develop vacant land and accelerate the regeneration and development of significant assets.

14. In July 2022, TVCA Cabinet approved an allocation of £10m to HDC in the TVCA Investment Plan, to support the Development Corporation, and £10m from within the Town Centre Accessibility Investment package for spend on eligible transport projects within the DC areas.

15. An advanced delegated decision was approved to allocate £250k to the HDC area for development work to establish the DC and create the Masterplan.

16. A masterplan was developed and approved by the board in 2023, it provides guidance to enable the creation of detailed proposals for development sites whilst ensuring flexibility to respond to changes in economic and social conditions.

17. Public sector funding is required to address the financial viability gap caused by the high risk that the private sector will not invest due to the underlying market failures of:

    - Commercial Viability: Low rents and high capitalisation yields in office markets compromise the viability of programmes and discourage investment.
    - Availability of Development Finance: Bank Lending terms are restrictive due to the other market failures and high level of risk attached to contaminated sites.
    - Developer Financial Ability and Appetite for Risk: There are very few local developers with the level of equity required to commence a development and the returns that developers with equity could receive from other investments/developments outside Tees Valley may be more attractive or represent a lower level of risk.
    - The public sector is also required to coordinate the scale of intervention and funding required. The programme therefore includes provision for Project funding/grant funding/loans etc to unlock such investments wherever possible to stimulate growth and opportunity for all.

Budget and MTFP

18. The below table summarises the projected funding and expenditure across the medium term:

Heading	Rev/Cap	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	TOTAL
Expenditure								
Operational Costs	Revenue	145	167	173	180	187	194	1,046
Planning Preparatory Costs	Revenue	80	-	-	-	-	-	80
Master planning	Capital	161	-	-	-	-	-	161
Planning Services	Revenue	227	250	250	269	269	269	1,534
Initial project Development	Capital		1,000					1,000
Project Investments	Capital	6,363	25,420	25,000	20,000	5,000-	-	81,783
Transport Investments	Capital	-	5,000	5,000	-	-	-	10,000
Evaluation	Revenue	-	-	-	25	-	25	50
Reinvestment	Revenue	-	200	200	200	200	200	1,000
MRP	Revenue	-	-	-	-	-	600	600
Interest	Revenue	-	-	-	-	-	1,161	1,161
TOTAL		**6,976**	**32,037**	**30,623**	**20,674**	**5,656**	**2.449**	**98,414**
Funding			-	-	-	-	-	-
TVCA Investment Plan	Revenue	452	292	298	339	321	354	2,056
TVCA Investment Plan	Capital	6,524	1,420	-	-	-	-	7,944
Tees Valley Investment Zone	Revenue	-	125	125	134	134	134	652
CRSTS 1	Capital	-	5,000	5,000	-	-	-	10,000
Borrowing	Capital	-	25,000	25,000	20,000	5,000	-	75,000
Investment Returns	Revenue	-	200	200	200	200	200	1,000
Other Investment Returns	Revenue	-	-	-	-	-	1,761	1,761
TOTAL		**6,976**	**32,037**	**30,623**	**20,673**	**5,655**	**2,449**	**98,414**

Expenditure

19. Master planning – following a procurement process, Arup were commissioned to develop a Masterplan for the DC area. The masterplan sets out a plan to drive investment and support accelerated regeneration of the town.

20. Planning Development - Planning Powers were conferred on to HDC on 1 June 2023 giving HDC the power to determine planning applications within the redline boundary. Lichfields have been procured to provide day to day planning services for HDC. The annual cost for HDC to run the planning function will

partially be recovered through the fees collected for planning applications.

21. Project investment funding to invest in strategically aligned projects within the DC redline boundary at the discretion of the individual DC board.

22. Initial project development expenditure is required to bring projects forward and will ensure the required information is available for informed decisions to be made by the board. The board is asked to delegate authority for initial project development expenditure up to a maximum balance of £1m to the Group Chief Executive, Group Director of Finance & Resources & Monitoring Officer in their capacity as statutory officers for HDC to facilitate project development.

23. **If development costs are directly attributable to a project, they will be included in the cost of the full project when proposed to the Board and the Initial project development expenditure will be returned.**

24. Project investment funding has been utilised on the acquistion of the long lease hold for Middleton Grange Shopping Centre.

Funding

25. The table above reflects secured funding. TVCA Cabinet approved an allocation of £10m to HDC in the TVCA Investment Plan and £10m from within the Town Centre Accessibility Investment package for spend on eligible transport projects within the DC area.

26. In January 2024, TVCA Cabinet approved a borrowing facility that allows the Corporation to access up to £75 million in borrowing from Public Works Loan Board ("PWLB") via TVCA. This is detailed in the borrowing section below and Treasury management paper.

27. HDC will stimulate the market with the first phase of projects and will explore funding opportunities to assist with the delivery of this plan. The masterplans identify a number of different funding sources to add value to the DC programmes, such as:

    - Tees Valley Investment Zone - £160m funding from DLUHC for 10 years to develop digital and tech sector
    - UK Shared Prosperity Fund (UKSPF) - Tees Valley have £46.3m between 2022-25 to invest in communities & place, people & skills and supporting local business
    - Brownfield Housing Fund
    - City Region Sustainable Transport Settlement 2022/23 - 2026/27 (CRSTS1) - £20m from within the Town Centre Accessibility Investment package has been identified for spend on eligible transport projects within the DC areas.

Cost of Borrowing

28. The arrangements for Corporation borrowing are set out in the annually agreed Treasury Management Policy.

29. In January 2024, TVCA Cabinet approved a borrowing facility that allows the Corporation to access up to £75 million in borrowing from Public Works Loan Board ("PWLB") via TVCA.

30. As the details of the proposals are still to be developed an assumption has been made within the Treasury Management and Capital Strategies that all investments will be borrowing via PWLB and will take three years until they are operational and that all interest will be capitalised during this period.

31. The Corporation intend to raise the majority of its long-term borrowing from TVCA who will access the PWLB.

32. In 2024/25, the Corporation is planning capital expenditure of £31.4 million as summarised below:

	2023/24	2024/25	2025/26	2026/27	2027/28
	Forecast	Budget	Budget	Budget	Budget
Capital expenditure	2,424	31,420	30,000	20,000	5,000
Middleton Grange	4,100				
Total	6,524	31,240	30,000	20,000	5,000

33. All capital expenditure must be financed, either from external sources (government grants and other contributions), the Corporation's own resources (revenue, reserves and capital receipts) or debt (borrowing and leasing). The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £'000

	2023/24	2024/25	2025/26	2026/27	2027/28
	Forecast	Budget	Budget	Budget	Budget
Capital Grants	6,524	6,420	5,000	0	0
Borrowing Required	0	25,000	25,000	20,000	5,000
Total	6,524	31,420	30,000	20,000	5,000

34. The borrowing strategy will be developed on a project basis and will includes a range of maturities, short and long term, with ability to refinance built in. These are all driven from the latest interest rate forecasts from Arlingclose which are set out in the table below.

	Current	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	1.00	1.00
Central Case	5.25	5.25	5.25	5.25	5.00	4.75	4.25	4.00	3.75	3.50	3.25	3.00	3.00
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
3-month money market rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	1.00	1.00
Central Case	5.40	5.40	5.40	5.30	5.15	4.80	4.30	4.10	3.80	3.50	3.25	3.05	3.05
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
5yr gilt yield													
Upside risk	0.00	0.50	0.70	0.70	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.38	4.50	4.50	4.40	4.25	4.00	3.75	3.50	3.40	3.30	3.30	3.30	3.35
Downside risk	0.00	-0.50	-0.70	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
10yr gilt yield													
Upside risk	0.00	0.50	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20
Central Case	4.27	4.40	4.35	4.30	4.25	4.15	4.00	3.80	3.75	3.65	3.60	3.65	3.70
Downside risk	0.00	-0.50	-0.70	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
20yr gilt yield													
Upside risk	0.00	0.50	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20
Central Case	4.67	4.65	4.60	4.55	4.45	4.35	4.25	4.20	4.20	4.20	4.20	4.20	4.20
Downside risk	0.00	-0.50	-0.70	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
50yr gilt yield													
Upside risk	0.00	0.50	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20
Central Case	4.25	4.25	4.20	4.15	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10
Downside risk	0.00	-0.50	-0.70	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%; PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%PWLB HRA Rate (Maturity Loans) = Gilt yield + 0.40%; UKIB Rate (Maturity Loans) = Gilt yield + 0.60%

35. Arlingclose expects long-term gilt yields to eventually fall from current levels reflecting the lower medium-term path for Bank Rate. However, yields will remain relatively higher than in the past, partly due to quantitative tightening, with continued elevated volatility. In line with this advice the interest rate for future borrowing has been updated based on Arlingcloses forecasts.

FINANCIAL IMPLICATIONS

36. This report provides the budget for the Corporation and the Medium-Term Financial Plan.

LEGAL IMPLICATIONS

37. There are no legal implications associated with the recommendations within this report.

RISK ASSESSMENT

38. This Budget Report has been categorised as medium risk to reflect the updated work on the implementation of our group risk management strategy. The group corporate risk register has been updated to reflect funding uncertainty. The existing management systems and daily routine activities are sufficient to control and reduce risk.

39. The risk of increased costs through economic factors is closely monitored and is being managed through the revised borrowing strategy put in place. A robust business case development process reduces the risk of cost pressures of investments by ensuring sufficient contingencies are built in resulting in no additional asks of Corporations funds.

CONSULTATION & COMMUNICATION

40. The subject of this report is a matter for HDC Board approval therefore no additional consultation and communication has been undertaken.

EQUALITY & DIVERSITY

41. This report does not impact on groups of people with protected characteristics.

Name of Contact Officer:	Gary Macdonald
Post Title:	Group Director of Finance and Resources

AGENDA ITEM 9
REPORT TO THE HDC BOARD

19 FEBRUARY 2024

REPORT OF GROUP DIRECTOR OF FINANCE & RESOURCES

TREASURY MANAGEMENT STRATEGY 2024/25

SUMMARY

This report presents the Corporation's Treasury Management, Capital and Investment Strategies for the financial year 2024/25. The Capital Strategy incorporates within it the Minimum Revenue Provision Policy.

RECOMMENDATIONS

It is recommended that the Development Corporation Board approves the Treasury Management, Investment and Capital Strategies for 2024/25.

DETAIL

1. The Chartered Institute of Public Finance and Accountancy Treasury Management Code was updated in 2021. This report fulfils the Corporation's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

2. The code defines Treasury Management as, the management of the organisations borrowing, investments and cash flows, banking, money market and its capital market transactions. The effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks. This definition is intended to apply to all public service organisations in their use of capital and project financings, borrowings and all investments.

3. To meet with these requirements the following three strategies have been produced:-

    i. Treasury Management Strategy (Appendix 1) - the management of the Corporation's cash flows, borrowing, investments, and the associated risks.

    ii. Capital Strategy (Appendix 2) - a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the functions of the Corporation. Including an overview of how associated risk is managed and the implications for future financial sustainability.

    iii. Investment Strategy (Appendix 3) – investments held by the Corporation that are not managed as part of normal treasury management processes.

FINANCIAL IMPLICATIONS

4. None

LEGAL IMPLICATIONS

5. None

RISK ASSESSMENT

6. The Treasury Management Strategy is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

CONSULTATION & COMMUNICATION

7. None.

Name of Contact Officer: Gary Macdonald
Post Title: Group Director of Finance and Resources

Appendix 1

TREASURY MANAGEMENT STRATEGY 2024/25

1. Introduction

Treasury management is the management of the Corporation's cash flows, borrowing and investments, and the associated risks. The Corporation will invest sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Corporation's prudent financial management.

Treasury risk management at the Corporation is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) which requires the Corporation to approve a treasury management strategy before the start of each financial year. This report fulfils the Corporation's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

The Corporation is supported by Tees Valley Combined Authority (TVCA) who engage with professional advisors Arlingclose Limited, in order to ensure that up to date market advice and information on the most appropriate investment / borrowing options are obtained.

Through a service level agreement, TVCA group contracts with Stockton Borough Council (SBC) who provide a treasury management service. The CIPFA code requires that staff with responsibility for treasury management receive adequate training to carry out this role. SBC assess the requirements for training as part of the staff appraisal process and they regularly attend courses and seminars provided by Arlingclose and CIPFA.

2. Economic Context

Economic Background

The impact on the UK from higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, will be major influences on the Corporation's treasury management strategy for 2024/25.

The Bank of England (BoE) increased Bank Rate to 5.25% in August 2023, before maintaining this level for the rest of 2023. In December 2023, members of the BoE's Monetary Policy Committee voted 6-3 in favour of keeping Bank Rate at 5.25%. The three dissenters wanted to increase rates by another 0.25%.

The November quarterly Monetary Policy Report (MPR) forecast a prolonged period of weak Gross Domestic Product (GDP) growth with the potential for a mild contraction due to ongoing weak economic activity. The outlook for CPI inflation was deemed to be highly uncertain, with upside risks to CPI falling to the 2% target coming from potential energy price increases, strong domestic wage growth and persistence in price-setting.

Office for National Statistics (ONS) figures showed CPI inflation was 3.9% in November 2023, down from a 4.6% rate in the previous month and, in line with the recent trend, lower than expected. The core CPI inflation rate declined to 5.1% from the previous month's 5.7%, again lower than predictions. Looking ahead, using the interest rate path implied by financial markets the BoE expects CPI inflation to continue falling slowly, but taking until early 2025 to reach the 2% target before dropping below target during the second half 2025 and into 2026.

ONS figures showed the UK economy contracted by 0.1% between July and September 2023. The BoE forecasts GDP will likely stagnate through 2024. The BoE forecasts that higher interest rates will constrain GDP growth, which will remain weak over the entire forecast horizon.

The labour market appears to be loosening, but only very slowly. The unemployment rate rose slightly to 4.2% between June and August 2023, from 4.0% in the previous 3-month period, but the lack of consistency in the data between the two periods made comparisons difficult. Earnings growth has remained strong but has showed some signs of easing; regular pay (excluding bonuses) was up 7.3% over the period and total pay (including bonuses) up 7.2%. Adjusted for inflation, regular pay was 1.4% and total pay 1.3%. Looking forward, the MPR showed the unemployment rate is expected to be around 4.25% in the second half of calendar 2023, but then rising steadily over the forecast horizon to around 5% in late 2025/early 2026.

Credit Outlook

Credit Default Swap (CDS) prices were volatile during 2023, spiking in March on the back of banking sector contagion concerns following the major events of Silicon Valley Bank becoming insolvent and the takeover of Credit Suisse by UBS. After then falling back in Q2 of calendar 2023, in the second half of the year, higher interest rates and inflation, the ongoing war in Ukraine, and now the Middle East, have led to CDS prices increasing steadily.

On an annual basis, CDS price volatility has so far been lower in 2023 compared to 2022, but this year has seen more of a divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities once again.

Moody's revised its outlook on the UK sovereign to stable from negative to reflect its view of restored political predictability following the volatility after the 2022 mini-budget. Moody's also affirmed the Aa3 rating in recognition of the UK's economic resilience and strong institutional framework.

Following its rating action on the UK sovereign, Moody's revised the outlook on five UK banks to stable from negative and then followed this by the same action on five rated local authorities. However, within the same update the long-term ratings of those five local authorities were downgraded.

There remain competing tensions in the banking sector, on one side from higher interest rates boosting net income and profitability against another of a weakening economic outlook and likely recessions that increase the possibility of a deterioration in the quality of banks' assets.

However, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

Interest Rate Forecast

Although UK inflation and wage growth remain elevated, the Groups treasury management adviser Arlingclose forecasts that Bank Rate has peaked at 5.25%. The Bank of England's Monetary Policy Committee will start reducing rates in 2024 to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. Arlingclose sees rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.

Arlingclose expects long-term gilt yields to be broadly stable at current levels (amid continued volatility), following the decline in yields towards the end of 2023, which reflects the expected lower medium-term path for Bank Rate. Yields will remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.

A more detailed economic and interest rate forecast provided by Arlingclose is in Appendix A.

3. Local Context

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying sums available for investment. The Corporation's proposed strategy is to maintain borrowing and investments equal to or below their underlying levels, sometimes known as internal borrowing. Forecast changes in these sums are shown in the analysis in table 1 below.

CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Corporation's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Corporation expects to comply with this recommendation during 2024/25.

	31.3.24 Estimate £'000	31.3.25 Forecast £'000	31.3.26 Forecast £'000	31.3.27 Forecast £'000
Capital financing requirement (cumulative)	0	25,000	50,000	70,000
Less: External borrowing	0	25,000	50,000	70,000
Internal Borrowing	0	0	0	0

Liability benchmark: To compare the Corporation's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as the table above, but that cash and investment balances are kept to a minimum level of £0.1 million at each year-end to maintain sufficient liquidity but minimise credit risk.

The liability benchmark is an important tool to help establish whether the Corporation is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Corporation must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

	31.3.24 Estimate £m	31.3.25 Forecast £m	31.3.26 Forecast £m	31.3.27 Forecast £m
Loans CFR (Cumulative)	0.0	25.0	50.0	70.0
Less: Balance sheet resources	0.1	0.1	0.1	0.1
Net loans requirement	-0.1	24.9	49.9	69.9
Plus: Liquidity allowance	0.1	0.1	0.1	0.1
Liability benchmark	**0**	**25.0**	**50.0**	**70.0**

4. Borrowing Strategy

In January 2024, TVCA Cabinet approved a borrowing facility that allows the Corporation to access up to £75 million in borrowing from Public Works Loan Board ("PWLB") via TVCA. Proposals to access this funding will be brought to Corporation Board meetings to consider the business plans, risks/opportunities associated with the investment and the type and level of finance required to deliver the proposals as part of the Corporation's Final Investment Decision(s) including any debt finance requested from TVCA.

As the details of the proposals are still to be developed an assumption has been made within the Treasury Management and Capital Strategies that all investments will be borrowing via PWLB and will take three years until they are operational and that all interest will be capitalised during this period. Alongside each Investment proposal the treasury management indictors will be updated and presented to Board.

The Corporation's chief objective when borrowing money will be to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Corporation's long-term plans change is a secondary objective.

The Corporation's borrowing strategy will address the key issue of affordability without compromising the longer-term stability of the debt portfolio. By following the borrowing strategy, the Corporation will be able to reduce net borrowing costs and reduce overall treasury risk.

The Corporation intend to raise the majority of its long-term borrowing from TVCA who will access the PWLB. PWLB loans are no longer available to buy investment assets primarily for yield; the Corporation intends to avoid this activity in order to retain its access to PWLB loans via TVCA.

Alternatively, the Corporation may arrange forward starting loans during 2024/25, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

Sources of Borrowing

The approved sources of long-term and short-term borrowing are:

- Tees Valley Combined Authority
- UK Infrastructure Bank
- any institution approved for investments
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local Corporation bond issues.

Other Sources of Debt Finance

Capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- sale and leaseback

The Corporation when borrowing will investigate all available sources of finance to achieve the most favourable rates.

The Prudential Code for Capital Finance in Local Authorities (Prudential Code) has been developed by the Chartered Institute of Public Finance and Accountancy to underpin the system of capital finance embodied in Part 1 of the Local Government Act 2003.

The key objectives of the Prudential Code are to ensure that capital investment plans are affordable, prudent and sustainable. The Prudential Code supports a system of self-regulation that is achieved by the setting and monitoring of a suite of Prudential Indicators that directly relate to each other.

The Prudential Indicators which the Corporation will follow, and the minimum revenue provision statement are set out in the capital strategy report (Appendix 2)

5. Investment Strategy

The Corporation does not currently hold any invested funds, however if funds are invested in the future, they will comply with Corporations proposed Investment Strategy which is set out below.

The CIPFA Code requires the Corporation to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Corporation’s objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Corporation will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The Corporation aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

Strategy: As demonstrated by the liability benchmark above, the Corporation expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments.

ESG policy: Environmental, social and governance (ESG) considerations are increasingly a factor in global investors’ decision making, but the framework for evaluating investment opportunities is still developing and therefore the Corporation’s ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Corporation will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

Surplus cash of the Corporation will be invested in short-term unsecured bank deposits, with other local authorities and money market funds.

The Corporation may invest its surplus funds with any of the counterparty types in the table below, subject to the cash limits (per counterparty) and the time limits shown.

Approved investment counterparties and limits

Credit rating	Banks unsecured	Banks secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 10 years	n/a	n/a
AAA	£7,500,000 5 years	£15,000,000 10 years	£15,000,000 10 years	£7,500,000 10 years	£7,500,000 10 years
AA+	£7,500,000 5 years	£15,000,000 10 years	£15,000,000 10 years	£7,500,000 10 years	£7,500,000 10 years
AA	£7,500,000 4 years	£15,000,000 5 years	£15,000,000 10 years	£7,500,000 5 years	£7,500,000 10 years
AA-	£7,500,000 3 years	£15,000,000 4 years	£15,000,000 10 years	£7,500,000 4 years	£7,500,000 10 years
A+	£7,500,000 2 years	£15,000,000 3 years	£7,500,000 5 years	£7,500,000 3 years	£7,500,000 5 years
A	£7,500,000 13 months	£15,000,000 2 years	£7,500,000 5 years	£7,500,000 2 years	£7,500,000 5 years
A-	£7,500,000 6 months	£15,000,000 13 months	£7,500,000 5 years	£7,500,000 13 months	£7,500,000 5 years
None	n/a	n/a	£15,000,000 10 years	£5,000,000 5 years	£7,500,000 5 years
Pooled funds and real estate investment trusts	£15m per fund				

This table must be read in conjunction with the notes below

Credit rating: Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Banks unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Banks secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.
Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in but are exposed to the risk of the company going insolvent.

Registered providers: Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

Pooled funds: Shares or units in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term but are more volatile in the short term. These allow the Corporation to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Corporation's investment objectives will be monitored regularly.

Real estate investment trusts: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

Operational bank accounts: The Corporation may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £25 million per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Corporation maintaining operational continuity.

Risk assessment and credit ratings: Credit ratings are obtained and monitored by the Corporation's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other information on the security of investments: The Corporation understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Corporation's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

Reputational aspects: The Corporation is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Corporation will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Corporation's cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned but will protect the principal sum invested.

Investment limits: The maximum that will be lent to any one organisation (other than the UK Government) will be £15 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Investment limits

	Cash limit
Any single organisation, except the UK Central Government	£15,000,000
UK Central Government	unlimited
Any group of organisations under the same ownership	£15,000,000
Any group of pooled funds under the same management	£37,500,000
Negotiable instruments held in a broker's nominee account	£37,500,000
Foreign countries	£15,000,000
Registered providers and registered social landlords	£37,500,000
Unsecured investments with building societies	£15,000,000
Loans to unrated corporates	£15,000,000
Money Market Funds	Unlimited
Real estate investment trusts	£37,500,000

Liquidity management: The Corporation uses cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Corporation being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Corporation's investment plan and cash flow forecast.

6. Treasury Management Indicators

The Corporation measures and manages its exposures to treasury management risks using the following indicators.

Liquidity: The Corporation has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without borrowing.

Liquidity risk indicator	Target
Total cash available within 3 months	£0.1m

Interest rate exposures: This indicator is set to control the Corporation's exposure to interest rate risk. Based on the current level of investments held, the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
One-year revenue impact of a 1% rise or fall in interest rates	£0

Maturity structure of borrowing: This indicator is set to control the Corporation's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

The limits will be reviewed and amended as the Corporation takes out further borrowing.

Principal sums invested for periods longer than a year: The purpose of this indicator is to control the Corporation's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2023/24	2024/25	2025/26
Limit on principal invested beyond year end	£1m	£1m	£1m

7. Related Matters

The CIPFA Code requires the Corporation to include the following in its treasury management strategy.

Financial Derivatives: Public Sector entities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 113A of the Local Democracy, Economic Development and Construction Act 2009 removes much of the uncertainty over the use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Corporation will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Corporation is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

In line with the CIPFA Code, the Corporation will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

Markets in Financial Instruments Directive: The Group has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Corporation's treasury management activities, the Groups Director of Finance believes this to be the most appropriate status.

The CIPFA Code does not prescribe any particular treasury management strategy for entities to adopt. The Groups Director of Finance believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below and will be considered if circumstance significantly change.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest

		costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Appendix A – Arlingclose Economic & Interest Rate Forecast – December 2023

Underlying assumptions:

- UK inflation and wage growth remain elevated but have eased over the past two months fuelling rate cuts expectations. Near-term rate cuts remain unlikely, although downside risks will increase as the UK economy likely slides into recession.
- The MPC's message remains unchanged as the Committee seeks to maintain tighter financial conditions. Monetary policy will remain tight as inflation is expected to moderate to target slowly, although some wage and inflation measures are below the Bank's last forecasts.
- Despite some deterioration in activity data, the UK economy remains resilient in the face of tighter monetary policy. Recent data has been soft but mixed; the timelier PMI figures suggest that the services sector is recovering from a weak Q3. Tighter policy will however bear down on domestic and external activity as interest rates bite.
- Employment demand is easing. Anecdotal evidence suggests slowing recruitment and pay growth, and we expect unemployment to rise further. As unemployment rises and interest rates remain high, consumer sentiment will deteriorate. Household and business spending will therefore be weak.
- Inflation will fall over the next 12 months. The path to the target will not be smooth, with higher energy prices and base effects interrupting the downtrend at times. The MPC's attention will remain on underlying inflation measures and wage data. We believe policy rates will remain at the peak for another 10 months, or until the MPC is comfortable the risk of further 'second-round' effects have diminished.
- Maintaining monetary policy in restrictive territory for so long, when the economy is already struggling, will require significant loosening in the future to boost activity.
- Global bond yields will remain volatile. Markets are currently running with expectations of near-term US rate cuts, fuelled somewhat unexpectedly by US policymakers themselves. Term premia and bond yields have experienced a marked decline. It would not be a surprise to see a reversal if data points do not support the narrative, but the current 10-year yield appears broadly reflective of a lower medium- term level for Bank Rate.
- There is a heightened risk of fiscal policy and/or geo-political events causing substantial volatility in yields.

Forecast:

- The MPC held Bank Rate at 5.25% in December. We believe this is the peak for Bank Rate.
- The MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. We see rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.
- The immediate risks around Bank Rate have become more balanced, due to the weakening UK economy and dampening effects on inflation. This shifts to the downside in the short term as the economy weakens.

- Long-term gilt yields are now substantially lower. Arlingclose expects yields to be flat from here over the short-term reflecting medium term Bank Rate forecasts. Periodic volatility is likely.

	Current	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.25	5.25	5.25	5.25	5.00	4.75	4.25	4.00	3.75	3.50	3.25	3.00	3.00
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
3-month money market rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.40	5.40	5.40	5.30	5.15	4.80	4.30	4.10	3.80	3.50	3.25	3.05	3.05
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
5yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.77	3.75	3.75	3.75	3.70	3.60	3.50	3.50	3.40	3.30	3.30	3.30	3.35
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
10yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.72	3.75	3.80	3.80	3.80	3.80	3.80	3.80	3.75	3.65	3.60	3.65	3.70
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
20yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.16	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.25
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
50yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.76	3.80	3.85	3.90	3.90	3.90	3.90	3.90	3.90	3.90	3.95	3.95	3.95
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

PWLB Standard Rate = Gilt yield + 1.00%

PWLB Certainty Rate = Gilt yield + 0.80%

PWLB HRA Rate = Gilt yield + 0.40%

UK Infrastructure Bank Rate = Gilt yield + 0.40%

Appendix 2

CAPITAL STRATEGY 2024/25

1. Introduction

The capital strategy provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the delivery of the Corporation's Masterplan along with an overview of how associated risk is managed and the implications for future financial sustainability.

2. Capital Expenditure and Financing

Capital expenditure is where the Corporation spends money on assets, such as land, property or vehicles that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets.

The capital programme will be looked at on an individual project basis and a review of the programme will take place in advance of individual project approval. The assurance process in place for all capital investments will ensure that each meets the requirements of the prudential code that they are prudent, affordable, and sustainable.

Any opportunities that arise will be appraised and reviewed individually assuring they also meet the requirements of the prudential code and fit in with the Corporations' Masterplan. The current working assumption is that all investments will be borrowing via PWLB and will take three years until they are operational and that all interest will be capitalised during this period. Alongside each Investment proposal the prudential indictors will be updated and presented to Board.

In 2024/25, the Corporation is planning capital expenditure of £31.4 million as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £'000

	2023/24	2024/25	2025/26	2026/27	2027/28
	Forecast	Budget	Budget	Budget	Budget
Capital Expenditure	6,524	31,420	30,000	20,000	5,000

Governance:

For the Corporations capital investment decisions the Board will consider the business plans, risks/opportunities associated with the investment and the type and level of finance required to deliver the proposals as part of the Development Corporation's Final Investment Decision(s) including any debt finance requested from TVCA. The Board will be kept appraised of any terms agreed with TVCA and obligations placed on the Corporation, wherever applicable, as part of loan agreements with TVCA and will ensure appropriate approvals are in place to consider and, as required, accept the loan agreements

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Corporation's own resources (revenue, reserves and capital receipts) or debt (borrowing and leasing). The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £'000

	2023/24	2024/25	2025/26	2026/27	2027/28
	Forecast	Budget	Budget	Budget	Budget
Capital Grants	6,524	6,420	5,000	0	0
Borrowing Required	0	25,000	25,000	20,000	5,000
Total	**6,524**	**31,420**	**30,000**	**20,000**	**5,000**

Debt is only a temporary source of finance, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). MRP is only charged in the year following the related asset becoming operational, Planned MRP is as follows:

Table 3: Replacement of debt finance in £'000

	2023/24	2024/25	2025/26	2026/27	2027/28
	Forecast	Budget	Budget	Budget	Budget
Revenue Streams	0	0	0	0	0

Department for Levelling Up, Housing and Communities (DHLUC) Guidance requires the Corporation to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The recommended statement is attached at schedule 1 for approval.

The Corporation's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP, loan fund repayments and capital receipts used to replace debt. Based on the above figures for expenditure and financing, the Corporation's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £'000

	2023/24	2024/25	2025/26	2026/27	2027/28
CFR (cumulative)	0	25,000	50,000	70,000	75,000

3. Treasury Management

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Corporation's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account.

Borrowing strategy: The Corporation's main objectives when borrowing is to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and therefore when borrowing the Corporation will seek to strike a balance between cheap short-term loans and long-term fixed rate loans where the future cost is known but higher.

The Corporation does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loans Board via TVCA.

Projected levels of the Corporation's total outstanding external debt are shown below, compared with the capital financing requirement (see above).

Table 5: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £'000

	2023/24	2024/25	2025/26	2026/27	2027/28
	Forecast	Budget	Budget	Budget	Budget
Debt	0	25,000	50,000	70,000	75,000
CFR	0	25,000	50,000	70,000	75,000

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen in table 5, the Corporation expects to comply with this in the medium term.

Affordable borrowing limit: The Corporation is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

Table 6: Prudential Indicators: Authorised limit and operational boundary for external debt in £'000

	2023/24	2024/25	2025/26	2026/27	2027/28
Authorised Limit	0	75,000	75,000	75,000	75,000
Operational Boundary	0	75,000	75,000	75,000	75,000

Further details on borrowing are included in the Treasury Management Strategy included at Appendix 1.

Investment strategy: Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

The Corporation's policy on treasury investments is to prioritise security and liquidity over yield, which is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, Local Authorities or selected high-quality banks, to minimise the risk of loss.

Further details on treasury investments are included in the Treasury Management Strategy included at Appendix 1.

Risk Management. The effective management and control of risk are prime objectives of the Corporation's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

Governance: Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Group Director of Finance & Resources and finance staff, who must act in line with the treasury management strategy and TVCAs treasury management practices. Mid-term and annual reports on treasury management activity are presented to the Board.

4. Investments for Service Purposes

The Corporation makes investments to assist in delivering the Masterplan, including the ability to provide loans to special purpose vehicles.

Governance: Decisions on such investments have to adhere to parameters approved by the Corporations board.

Table 7: Prudential Indicator: Proportion of income from investments to net revenue stream £'000

	2023/24	2024/25	2025/26	2026/27	2027/28
	Forecast	Budget	Budget	Budget	Budget
Total Income from Investments	200	200	200	200	200
Proportion of net revenue stream	0%	32%	32%	30%	30%

Further details on service investments are included within the Investment Strategy included at Appendix 3.

5. Liabilities

As set out in table 6 above, the Corporation forecasts to hold no long-term debt at 31st March 2024.

Governance: The risk of liabilities crystallising and requiring payment is monitored by the Group Finance team and reported appropriately.

6. Revenue Budget Implications

Capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount of revenue funding available for investment excluding specific grant schemes. As it is assumed interest costs are capitalised and MRP is not due until the investment becomes operational there are no revenue budget implications currently forecast until 2028/29.

Table 9: Prudential Indicator: Proportion of financing costs to net revenue stream

	2023/24	2024/25	2025/26	2026/27	2027/28
Financing costs (£'000)	0	0	0	0	0
Proportion of revenue	0%	0%	0%	0%	0%

7. Knowledge and Skills

The Group has professionally qualified staff across a range of disciplines that follow continuous professional development (CPD) and attend courses on an ongoing basis to keep abreast of new developments and skills. The skills available from internal resources allow the Corporation to assess business cases for capital investment and external professional advice is taken where required.

Through a service level agreement Stockton Borough Council (SBC) provides TVCA with the treasury management service. The CIPFA code requires that staff with responsibility for treasury management receive adequate training to carry out this role. SBC assess the requirements for training as part of the staff appraisal process and they regularly attend courses and seminars provided by Arlingclose and CIPFA.

Schedule 1 – Annual Minimum Revenue Provision Statement 2024/25

Where the Corporation finances capital expenditure by debt, the Capital Financing Requirement (CFR), it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Corporation to have regard to the Department for Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in 2018.

The broad aim of the MHCLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Grants, reasonably commensurate with the period implicit in the determination of that grant.

The MHCLG Guidance requires the Corporation to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods.

- Where borrowing occurs to directly support projects, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset determined on an annuity method. MRP will commence from the 1st April of the year following the asset becoming operational.
- Where Capital Expenditure is incurred on capital loans, which are not an investment for commercial purposes, MRP will be charged to the equivalent of the expected credit loss which has been recognised in the year. Capital loan repayments received will be used to reduce the CFR on that loan.
- Finance Lease principal repayments are used to reduce the CFR on the leased asset on an annual basis.

Capital expenditure incurred during 2024/25 will not be subject to a MRP charge until the following year.

Appendix 3

INVESTMENT STRATEGY 2024/25

1. Introduction

The Corporation invests its money for two broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments), and
- to assist in delivering of the Corporations Masterplan by lending to or investing in other organisations (investments)

This investment strategy meets the requirements of statutory guidance on local government investments issued by the government in January 2018 (issued under section 15(1)(a) of the Local Government Act 2003) and focuses on the second of these categories.

The statutory guidance defines investments as "all of the financial assets of a Development Corporation as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios." The Corporation interprets this to exclude (a) trade receivables which meet the accounting definition of financial assets but are not investments in the everyday sense of the word and (b) property held partially to generate a profit but primarily for the provision of local public services. This aligns the Corporation's definition of an investment with that in the 2021 edition of the CIPFA Prudential Code, a more recent piece of statutory guidance.

2. Treasury Management Investments

The Corporation activities, plus the timing of borrowing decisions, could lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA).

Contribution: The contribution that these investments make to the objectives of the Corporation is to support effective treasury management activities.

Further details: Full details of the Corporation's policies and its plan for 2024/25 for treasury management investments are covered in a separate document, the Treasury Management Strategy, attached at Appendix 1.

3. Investments – Loans

The Corporation can lend money to its subsidiaries, associates and joint ventures to deliver the Corporations Masterplan. Loans are not issued by the Corporation for purely financial return, they are provided if the proposal meets the priorities set out in the Masterplan and related strategies.

Applications for financial support are received from various sources relating to a range of investments. As part of the assessment process a full financial, legal, and commercial evaluation is carried out. This evaluation will assess and recommend the nature of the Corporation's proposed investment into the project.

Details of the loans provided as at 31 December 2023 are shown in table 1 below, with proposed approved limits.

Security: The main risk when making loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk and ensure that total exposure to loans remains proportionate to the size of the Corporation, statutory government guidance requires us to set upper limits on the outstanding loans to each category of borrower. The limits are set as follows;

Table 1: Loans in £'000

	Balance at 31.12.24 £'000	2024/25 Approved Limits £'000
Subsidiaries / JVs	0	75,000
TOTAL	0	75,000

Risk assessment: In making loans the Corporation is exposing itself to the risk that the borrower defaults on repayments. The Corporation therefore ensures they are prudent and fully considers the risk implications, with regard to both the individual loan and that the cumulative exposure of the Corporation is proportionate and prudent.

The Corporation will ensure that a full due diligence exercise is undertaken, and adequate security is in place. The business case will balance the benefits and risks. All loans are approved in line with the constitution and approved policies. All loans will be subject to close, regular monitoring.

4. Proportionality

Table 2 below shows the extent to which the expenditure planned to meet the service delivery objectives of the Corporation is dependent on achieving the expected net profit from investments over the lifecycle of the Medium-Term Financial Plan.

Table 2: Proportionality of Investments

	2023/24	2024/25	2025/26	2026/27	2027/28
Revenue Expenditure £'000	452	618	623	674	656
Investment Returns £'000	0	200	200	200	200
Proportion	0%	32%	32%	30%	30%

5. Borrowing in Advance of Need

Government guidance is that Development Corporation's must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The Corporation has not borrowed and has no plans to borrow in advance of need.

6. Capacity, Skills and Culture

Elected members and statutory officers: For all investment decisions the Corporation follows the constitution. Due Diligence is carried out on all investments by internal and external resources depending on the type of investment. Internal Group resources available cover economic, legal and financial issues but external expertise is drawn on when required. Internal Group members of staff carry out regular professional development through training courses and conferences. The input from the above resources results in a comprehensive appraisal of all investments which is consulted on and provided to the Board for a decision.

Commercial deals: Within the Corporation there is experience in both Public and Private Sector deals. Where required external support is drafted in to assist in these deals.

Corporate governance: The Corporation is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity, and accountability.

The Corporation had adopted and has implemented the key recommendations of the CIPFA Prudential Code. This, together with the other arrangements such as the production of Treasury Management Practices and Treasury Management Strategy are considered vital to the achievement of proper corporate governance in treasury management, and the responsible officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

7. Investment Indicators

The Corporation has set the following quantitative indicator to allow Board members and the public to assess the Corporation's total risk exposure as a result of its investment decisions.

Total risk exposure: The indicator shows the Corporation's total exposure to potential investment losses. This includes amounts the Corporation is contractually committed to lend but have yet to be drawn down and guarantees the Corporation has issued over third-party loans.

Table 3: Total investment exposure in £'000

	31.03.23 Actual £'000	31.03.24 Forecast £'000	31.03.25 Forecast £'000
Treasury Management Investments	0	100	100
Investment – Loans	0	0	0
TOTAL INVESTMENTS	0	100	100
Commitments to Lend	0	0	0
TOTAL EXPOSURE	0	100	100

Under the terms of paragraph 3 of schedule 12a Local Government Act 1972, appendices 3, 4, 7, 7a & 7b to this report are not for publication

AGENDA ITEM 10
REPORT TO THE HDC BOARD

19th FEBRUARY 2024

REPORT OF GROUP CHIEF EXECUTIVE

MIDDLETON GRANGE SHOPPING CENTRE

SUMMARY

The acquisition of the Middleton Grange Shopping Centre long leasehold completed on 19 December 2023. Members received confirmation of the purchase together with detail of the purchase price by email on Wednesday 20 December 2023. At this time HDC took over the responsibility for the operation of the centre and appointed professional advisors to support the smooth running of the asset.

This report updates on the 'business as usual' requirements of operating a shopping centre and sets out the board decisions required to be taken, which includes delegations from the board to officers, to enable efficient operation of the asset. In addition, this report updates on the longer-term regeneration opportunities for the Middleton Grange Focus Area, which includes the shopping centre within its wider environs.

RECOMMENDATIONS

It is recommended that the Hartlepool Development Corporation (HDC) Board:

. Notes the update following acquisition of MGSC;
i. Notes the proposal for investment in marketing activities to increase footfall
ii. Approves the service charge budget for 2024/2025 set out in 7.9 below.
iii. Notes funding requirements for structural works
iv. Notes the progress towards the scheme of delegations as set out in this Report and the Appendix
v. Notes the proposal in Paragraph 1 of Appendix 7, Approves the continued negotiations in respect of that proposal and delegates the authority to the Chief Executive, s73 Officer and Monitoring Officer having taken all appropriate advice from Barker Proudlove, R3 Consultants Limited and JLL, to approve terms of a new letting on the basis that it is in accordance with

the financial model approved by the Board at the point of purchase and, subject to all legal due diligence including a satisfactory review of the Subsidy Control position, finalise all documentation in relation to those terms.

vi. **Notes** and **Approves** the proposals at paragraphs 2(a) and 2(b) of Appendix 7, subject to all legal due diligence including a satisfactory review of the Subsidy Control position and **delegates** the authority to the Chief Executive, s73 Officer and Monitoring Officer to complete all legal due diligence including a satisfactory review of the Subsidy Control position in order finalise lease and ancillary documentation in order to record those terms, or where final negotiations are required **delegates** authority to the Chief Executive, s73 Officer and Monitoring Officer to agree such terms that are no more detrimental to HDC than those detailed.

vii. **Notes** and **Approves** the continued negotiations in respect of the proposals at Paragraph 3 of Appendix 7 and **delegates** he authority to the Chief Executive, s73 Officer and Monitoring Officer having taken all appropriate advice from Barker Proudlove, R3 Consultants Limited and JLL, to approve the terms of a new letting and subject to all legal due diligence including a satisfactory review of the Subsidy Control position, finalise all documentation in relation to those terms.

viii. **Notes** the position in respect of the negotiations for the proposals at paragraph 4 of Appendix 7 and **delegates** authority the Chief Executive, s73 Officer and Monitoring Officer the authority to agree Lease terms and proceed with all legal documentation to secure the letting, based on the commercial parameters set out in paragraph 4 of Appendix 7.

DETAIL

1. At its meeting on 22 May 2023, the HDC Board (the Boad) received a paper detailing the initial acquisition proposal for the Middleton Grange Shopping Centre (MGSC) in Hartlepool. At this meeting, the Board approved in principle the acquisition and the proposed Heads of Terms which included the proposed purchase price. At this meeting, authority was delegated to the TVCA Group Chief Executive in consultation with the TVCA Group Director of Finance & Resources and Monitoring Officer to proceed with legal, financial and property due diligence with a view to approving all documentation for the completion of the proposed purchase.

2. At its meeting on 19 June 2023, the Board received an update on the progress of the proposed purchase of MGSC, together with confirmation that legal advisors and strategic retail advisors had been appointed. An update on the progress of the due diligence of both of these advisors was also provided. This included some detail in relation to initial concerns of structural issues at the site.

3. At its meeting on 28 November 2023 the Board received a paper seeking approval of the purchase of the long leasehold interest in MGSC Hartlepool based the Strategic Outline Business Case, Commercial Contracts Update, Report on Title and Value for Money Assessment contained within that Report. Acknowledging that there are some matters that were at that date yet to be finally agreed, the Board delegated to the Chief Executive, Director of Finance & Resources and Monitoring Officer authority to complete all legal documentation in order to facilitate the purchase detailed in that Report, based on the risk parameters identified in the Report.

4. Also at its meeting on 28 November 2023, the Board approved the following:
- the assignment/novation of all relevant service contracts, as detailed in that report, subject to officers reviewing the same with a view to the longer-term management MGSC and reporting to the Board within 6 months from completion of the purchase with a full Asset Management Strategy;
- the appointment of Jones Lang Lasalle as Asset and Property Managers on behalf of HDC for a period of 24 months from completion of the purchase;
- the appointment of Barker Proudlove as the primary letting agent subject to agreeing commercial terms from the date of completion, to enable a procurement process to be carried out;
- the continuing appointment of Addleshaw Goddard Solicitors for a period of 6 months; and
- the continuing appointment of R3 Consults for a period of 6 months following completion of the purchase, to enable a procurement process to be carried out.

5. Update following the Acquisition of Middleton Grange Shopping Centre

5.1 On Friday 8 December 2023, Contracts were exchanged for the purchase of MGSC by Hartlepool Development Corporation with a completion date agreed as Monday 18 December 2023. Confirmation of exchange of contracts, and the proposed completion date was provided to all Board Members by email on Friday 8 December 2023.

5.2 As a result of a need for a final review of the completion figures, it was agreed between the vendor and HDC that completion would be delayed by one day, until Tuesday 19 December 2023. HDC therefore completed its purchase of MGSC on that day and an email confirming completion was sent to Board members on Wednesday 20 December 2023 confirming completion.

5.3 As required by the terms of the lease, Tenants were informed on 5th January 2024 that HDC is now the landlord, and that any arrears have also been transferred to HDC as the new owner.

5.4 On completion of the acquisition, HDC became leaseholders of the shopping centre, and freeholders of property known as the Binns Building as shown on the site layout plans at Appendix 1.

5.5 The centre site totals 17.6 acres, comprising approximately 620,000 sq ft retail space with car parks. The retail space provides a range of unit sizes, in total 143 units over 2 floors; 104 units are let, 39 are vacant.

There is an intentional concentration of vacant units in the north eastern quarter, a strategy of the previous ownership, visually exacerbated by the demise of the Wilkinson business vacating a large prominent unit (the ground floor of the former Binns building).

5.6 The centre generates income from rents and collects service charge income from tenants towards the service charge budget. There are a range of types of lease agreements with varying terms. Where units are not let, or reduced terms agreed, this presents liabilities to the landlord to cover the void in business rates, service charge recovery, also the share of insurance and utilities. The landlord is also liable for costs that are not recoverable from the service charge. Net of these deductions, the shopping centre provides a positive Net Operating Income, on which the Head Rent due to HBC is based.

5.7 HDC has purchased an active asset, requiring proactive management to realise the opportunity presented from the investment. The previous owner elected a minimal level of investment in the marketing of the site; the board is aware there are capital investments required to repair structure, and revenue investments to animate the site, which will improve the experience of retailers and shoppers. This aims to improve visitor footfall, dwell time and spend, thus the opportunity to grow rental income, reduce vacancy rates, in turn reducing landlord operating cost liability. The business plan to deliver these operating improvements is in development, included in the responsibilities of the professionals appointed. Details follow in later sections of this report.

5.8 MGSC is insured on behalf of HDC by Aviva Insurance Limited via brokers, Aon. Property Owners Insurance is in place for declared value of £154,712,726 and reinstatement value of £232,069,089, at an annual premium of £95,200, plus broker fee of £8,500. Also held is an Inspection Cover and Material Damage / Insurance policy, at a cost of £9,817 (including broker fee).

5.9 The development of the centre will also be considered as part of the wider regeneration plans for the Middleton Grange Focus Area. The procurement to deliver a regeneration masterplan is currently live, with a submission date for bids of 23rd February 2024.

6. Marketing

6.1 The business case for purchasing the shopping centre included the assumption that there would be in increase in marketing to drive footfall. It is agreed within the lease that the landlord will carry out marketing activities. The previous owner, prior to lockdown during the Covid-19 pandemic, was supporting 50% of the marketing activities budget of c£100k per annum. In the business plan recommending purchase, the level of investment in marketing was proposed to return to that prior to lockdown. The implications on the service charge budget are set out below in the Appendices 3 and 4 - the increase is shown in Client

Budget Pack 2425, not increasing the budget is shown in 2425 Budget Marketing Neutral.

6.2 Marketing services are provided by BeWonder*, as part of the property management services provided by JLL. The scope of works to be carried out is provided at Appendix 2 The initial outcome is a proposal to enhance activity at the shopping centre, the objective is to drive footfall, user dwell time, and spend. BeWonder have visited site on 1st February to commence information gathering, they have carried out:

- Review of Competition
- SWOT Analysis
- Gain and review research from JLL Research Team, national statistics and CAC (Customer Acquisition Costs)
- Review local stakeholders and partnerships
- Media landscape review and recommendations

Findings will be set out in a report which will also provide recommendations working to the proposed marketing budget of £100,000. This will be available to the board under separate cover and includes event and campaign ideas for Easter, ESG (Environmental, Social, Governance) and void unit activation.

6.3 On confirmation of the service charge budget below, which contains the marketing budget, a more detailed marketing strategy with Key Performance Indicators (KPIs) specific for digital, tenant engagement, stakeholder relationships, footfall and event attendance for a 12 month period from 1st April 2024 – 31st March 2025 will be developed. Easter is included in this despite being in March. Sign off is required by Friday 23 February in order to plan the Easter event and allow enough time for promoting the event.

6.4 Management of the KPIs will take place allowing iteration of plans to ensure maximum benefits are achieved. JLL Asset Management will support HDC with this.

6.5 The cost of the additional marketing is to be funded by the surplus in net operating income. It is recommended that the board approve the marketing proposal set out by BeWonder* to increase footfall, subject to also approving the Service Charge Budget referred to in the next item.

7. Service Charge 2024/2025 Budget Approval

7.1 The service charge budget covers costs for the running, management, and maintenance of the centre, the market hall, and costs to cover the repair liabilities of HDC on both car parks. The budget is split between six schedules (as below). There are three income contributions into the main budget via schedules 4/5/6, a breakdown of these are below. These cost contributions are then included as deductions into schedules 1 & 2.

7.2 Budget costs are taken from a variety of sources, the Property Management Agreement (mainly for management fees), service contracts with the service providers (cleaning, security, M&E etc) which were assigned on purchase, utility contracts, the Planned Maintenance Plan (PMP). The Planned Maintenance Report 2024 is provided at Appendix 5 and estimates based on current year costs and consultation with the site team.

7.3 The expenditure and each of the schedules are explained as follows:

- Schedule 1: All tenants: Deductions from income allocated to this schedule.
- Schedule 2: Expenditure apportioned to all tenants within Middleton Grange except those operating on older style leases entered into prior to the re-development of the centre.
- Schedule 3: Market Hall

7.4 The income schedules are contributions to the service charge as follows:

- Schedule 4: Market Hall tenants contribute the overall service charge expenditure. The contribution to the service charge is shown as a credit in Schedules 1 & 2 on the accompanying documentation. The contribution is based on based on % of Ratable Value (RV) against MGSC RV's
- Schedule 5: Hartlepool Borough Council's (HBC) contribution to the service charge. HBC's lease of the Car Park provides for a 3% contribution to the service charge and is shown as a credit in Schedules 1 & 2 on the accompanying document.
- Schedule 6: ATM contribution to the service charge is shown as a credit in Schedules 1 & 2 and is based on the RPI linked contribution in Notemachine Ltd's licence.

7.5 This means that Middleton Grange tenants pay contribution into schedules 1 and 2, with the deductions of contributions from schedules 4,5 and 6 taken into account.

7.6 The contract input information at Appendix 6 provided by JLL is a summary of the assumptions behind the forecasted budget.

7.7 Two budget options are provided in Appendices. The increased marketing budget is shown in Appendix 3 - Client Budget Pack 2425, not increasing the budget is shown in Appendix 4 - 2425 Budget Marketing Neutral. The 'Middleton Grange client budget pack 2425' attachment increases the budget to £2,600.407, a 5.53% YOY increase from last year's budget of £2,464,151.07. If the marketing budget were not to increase from the previous budget year, ie remain neutral at £31,800 with a Landlord contribution of 50% (£15,900) then the budget would total £2,566,307 which is a 4.15% uplift YOY.

7.8 The increase to the budget is benchmarked to inflation, this means that increases in the region of 4-6% per annum on the previous year is tolerable to the market. It is also worthy of note, that the annual marketing budget of £100k, had been charged prior to lockdown, so the investment is being restored, the benefits will be shared across all the tenants via increased footfall. The provision of improved marketing services, is a valuable selling point to retaining and attracting tenants.

7.9 It is recommended that the Board approves the budget as set out in Appendix 3 Middleton Grange Client Budget Pack 2425, which includes the increased marketing allocation. This is an increase to £2,600.407, a 5.53% YOY increase from last year's budget of £2,464,151.07.

8. Update on inherited service contracts

8.1 Service contracts such as security, maintenance, electrical testing, litter collection etc. are provided through the JLL Property Management function. These are in place and were assigned or novated in the purchase agreement. The service providers had been procured by JLL and therefore the services will continue until the end of their current contracts. Utilities are administered by JLL.

8.2 Officers will review these contracts and report to the Board within six months from purchase completion as part of the full Asset Management Strategy. These contracts will be reprocured as and when they expire in accordance with the Public Contracts Regulations 2015.

9. Professional Appointments: Roles and Responsibilities

9.2 To support the transition into HDC ownership and to continue the smooth operation of the centre, the following contracts as approved by the board decision on 28 November:

9.3 Property Management: The Board has previously been advised that Jones Lang LaSalle (JLL) has been appointed for a period of 24 months. JLL is contracted to provide day to day management entails. JLL's role includes rent collection, service charge administration, proactive and reactive repairs and maintenance, and security. Property management costs are recovered through service charge. There is however a cost to HDC for the proportion of fees relating to vacant units (or those let with all inclusive rental deals), initial set up costs and non-recoverable fees as defined by the RICS Service Charge Code of Conduct. Anticipated non recoverable fees to HDC in year 1 are calculated at £55,000 in year 1 falling to £30,000 per annum thereafter.

9.4 Asset Management: Jones Lang LaSalle: The proposed 24 month contract in progress. The Asset Management function includes the action of lease events such as rent review and lease expiry, assignments and sublettings, new lettings and overall asset performance. This is a separate function to Property Management within JLL. Fees for this function are estimated at £100,000 per annum and are not recoverable through service charge.

9.5 Real Estate Lettings Management: Barker Proudlove: The contract has been approved for one year, then rolling with one month notice period from either party. This allows active negotiations for new tenants and renewals to continue.

9.6 Legal: Addleshaw Goddard: Contract in progress. Legal support includes providing strategic advice; supporting title queries, the redevelopment and asset management strategy; assisting with delegated authority structure, heads of terms and letting criteria; ad hoc queries in connection with occupational leases and preparation of a standard suite of letting documents and lettings pack.

9.7 Shopping Centre Regeneration Advice: R3 This six-month contract is in progress to provide ongoing operational support to HDC. This includes acting as the intermediary between HDC and JLL as Asset Managers and Property Managers to ensure continuity of day to day management of MGSC and ensure conditions/actions relating to the transaction documents are effected (arrears etc); acting as the intermediary between HDC and Addleshaws as legal advisors regarding lease events, rent reviews, new lettings and overall asset management strategy; ensuring immediate works to carpark ramp, Binns Roof and other proactive repairs are coordinated between JLL, Atkins and HDC and procurement of contractor(s); and, working with JLL to prepare an asset management strategic outline business case for the day to day operation of the asset and set out terms of reference for decision making by officers and HDC Board.

10. Capital Expenditure

10.1 At its meeting on 22 May 2023, the board approved the purchase of the centre at the negotiated price. During the purchase process, structural issues were found requiring repair, and the cost of these repairs were deducted from the purchase price.

10.2 Now the responsibility to carry out the repairs falls to HDC, and, as set out in the roles and responsibilities section above, the support from R3 will progress the required structural works required immediately, to ensure the shopping centre can continue to operate.

10.3 Updates on the progress of these repairs and costs will be provided to the board. At this time no decision is required to allocate funds, as this is already provided for within the cost allocation for the purchase.

11. Scheme of Delegation

11.1 A shopping centre is constantly evolving and negotiations are on-going almost all of the time to secure new retailers or to retain retailers already present in the centre. Alongside the professional advisors retained by HDC, Officers are presently drawing up a Scheme of Delegation which will delegate decisions within certain commercial parameters to Statutory Officers, to ensure that decisions can be made swifty to ensure retailers can be secured or retained.

11.2 The proposed Scheme of Delegation will streamline operations, and reduce the volume of board decisions on standard items. Defining the scheme is dependent on the Business Plan for the operation of the centre. The Business Plan is expected to be presented to the next board meeting for approval, at which point the Scheme of Delegation will also be presented.

12. Approvals in respect of new or renewing Lease proposals

Appendix 7 contains details of negotiations with tenants or prospective tenants at the Centre. These details are 'Exempt information' pursuant to Paragraph 3 of Schedule 12 (A) of the Local Government Act 1972 in that the information contained within the Appendix related to the financial or business affairs of a particular person (including the Authority holding that information). This information is exempt as it could affect the business of the tenants or prospective tenants concerned, or that of HDC. This information relates to decisions vi, vii, viii and ix above.

FINANCIAL IMPLICATIONS

13. The shopping centre generates income from rents. There are a range of lease agreements, for example, some agreements are rates only. Where properties are vacant, HDC as landlord is liable for service charge fees and business rates.

14. After landlord liabilities for void service charges and business rates, and non recoverable operating fees, are deducted there is a small operating surplus on which head rent to the Freeholder is based. Net of head rent there is a small sum, estimated this financial year to be in the region of £270,000. This surplus can be reinvested; part of which will be used to increase marketing spend.

15. No financial implications from the capital expenditure which is required to repair the access ramp, RAAC panels and Binns Roof, as the purchase price was reduced to cover these costs as part of the negotiations.

LEGAL IMPLICATIONS

16. Once HDC has entered into a Lease for a particular unit it will be bound by its terms. HDC has instructed a number of industry experts to ensure that all legal documentation is based on accurate industry advice.

17. Addleshaw Goddard Solicitors has been instructed by HDC to complete all legal documentation and provide ongoing advice as required. This is managed by the TVCA in-house legal function which remains involved in this matter.

18. Consideration will be given to, and an assessment produced to manage any risk under the Subsidy Control Act 2022, whereby a public authority provides resources to give one entity a commercial advantage over another. This will be considered, and an assessment made in respect of any letting, before it is agreed.

RISK ASSESSMENT

19. The risks are updated as the pre-purchase risks have now lapsed with the completion of the purchase. The operational risks are now real.

20. Property Management: HDC does not have the internal expertise to proactively manage the MGSC and ensure continuity of rent collection, service charge management and general property management. This is mitigated with the appointment of JLL.

21. Asset Management: HDC does not have the internal expertise to strategically manage the MGSC asset. This risk is mitigated by the appointment of R3, JLL, in conjunction with experienced letting agents Barker Proudlove and legal advice from Addleshaw Goddard.

22. Financial Risk – declining income: Micro and macro-economic conditions may deteriorate leading to additional tenants vacating units or entering liquidation. This may reduce net income to a deficit level. This risk will continue and is inherent to the retail asset type. This is partly mitigated with increasing marketing activity to attract footfall, a proactive asset management and reletting strategy to stabilise and grow income, pending full review of the asset as part of the forthcoming wider plans.

23. Financial Risk – operational cost liability: There is a risk that income voids from vacant premises means that service charge is not covered and must be paid by HDC as the owner. This is partly mitigated by the income from rents which could be used to offset void service charge and rates costs. The delivery of strategic asset management plans aim to stabilise and grow tenancies, whilst rationalising retail space, will seek to increase demand and reduce costs to reduce the long term risk of income and service charge void.

24. Abortive Costs: there is a possibility that the costs required to be spent immediately after acquisition will be abortive. Works are required in the short term to ensure health and safety requirements are met and the shopping centre can continue to operate. The future vision for the area, and strategic asset management implementation plan will be in development to identify early places where rationalisation will take place. Spending in these areas would not incur costs unless necessary for H&S reasons.

25. The risks are categorised as either low or medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

CONSULTATION & COMMUNICATION

26. There has been no consultation in respect of this report.

EQUALITY & DIVERSITY

27. It is not expected that the subject of the report will have an effect on groups of people with protected characteristics.

Julie Gilhespie
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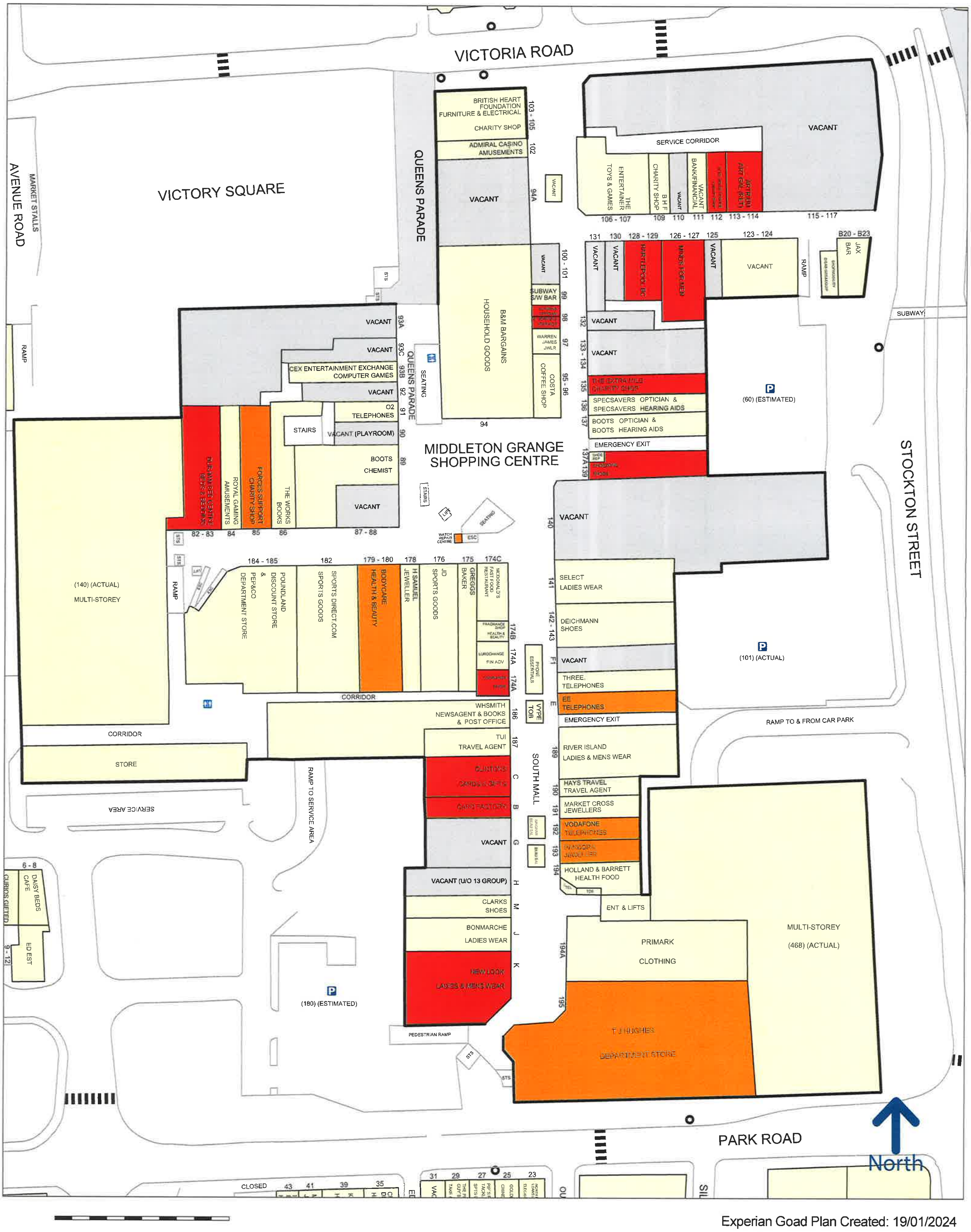
Hartlepool



Experian Goad Plan Created: 19/01/2024
Created By: Jones Lang LaSalle Ltd

For more information on our products and services:
www.experian.co.uk/business-products/goad | salesG@uk.experian.com


STORE
B1 - B4
STORE
STORE
B7
B8 - B19
B20 - B23
WAREHOUSE
STAIRS
STORE
STORE
B40 - B46
B27 - C3
STORE
COUNCIL OFFICES
24
THE GALLERIES
COFFEE SHOP
20 - 23
ENT
QUEENS PARADE
RAMP
VACANT
VACANT RESTAURANT
VACANT
VACANT
VACANT
1 - 2
3
4
5
6
VACANT
VACANT
VACANT
STAIRS
STAIRS
19
18
VACANT
17
VOID
STAIRS
MARKET
(PEDESTRIANS ONLY)
THE WALKWAY
VACANT
VACANT
FIONA BOSTON
VACANT
VACANT
VACANT
VACANT
11
12
13
14
15
16
11A
10
9
8
7
VOID
VOID
VOID
LIFT
ESC
JD GYMS LTD
HEALTH CLUB
VOID
LIFTS
35
33 - 34
32
30 - 31
29
HERON
FROZEN FOOD
VACANT
SAVERS
HEALTH & BEAUTY
ICELAND
FROZEN FOOD
ROOF
C5 - C7
STORE
KOSA HAIR
KWICK SNAX CAFE
52
53
54 - 55
56
38A
VACANT
38B
RIAN RAMP TO YORK ROAD
50
49
46-48
43 - 45
40 - 42
39
CASH GENERATOR FINANCIAL SERVICES
BETFRED BETTING OFFICE
VACANT
HALIFAX BANK
VACANT
VACANT TAKEAWAY
ENT
RAMP

Scope of Works:

- Situational Analysis: Conduct an in-depth analysis of Middleton Grange, including its current market position, target audience, competition, and industry trends. Review historical marketing efforts, campaigns, and results. Perform a SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis.

- Goals and Objectives: Develop SMART (Specific, Measurable, Achievable, Relevant, Time-bound) objectives aligned with business and stakeholder objectives. Identify key performance indicators (KPIs) to track progress and success via monthly reporting.

- Target Market: Identify audience based on demographic and ACORN profiles. Conduct market research to gain insights into the target market's preferences and consumer habits.

- Creative Outputs: Evaluate the current creative positioning and brand perception in the market. Develop a compelling brand strategy that aligns with the target market and business objectives (something we can review further down the line when the longer term strategy is ready for the redevelopment). Create brand guidelines to ensure consistent messaging, tone, and visual identity across all marketing channels.

- Marketing Tactics and Amplification Channels: Identify the most effective marketing channels to reach the target market. Develop a multi-channel marketing plan that utilises various tactics such as digital advertising, social media marketing, content marketing, email marketing, events, PR, etc. Determine the budget allocation for each channel and tactic.

- Content Strategy: Develop a content strategy that aligns with the target market's needs and preferences. Create a content calendar with a variety of content types (reels, media, competitions, etc.) and topics.

- Advertising and Promotions: Plan and execute advertising campaigns across various channels to increase brand awareness and reach new audiences. Identify promotional opportunities and design campaigns to drive customer engagement, footfall, loyalty, and sales. Optimise advertising and promotion efforts based on data analysis and insights.

- Measurement and Reporting: Set up analytics tools and tracking mechanisms to measure the effectiveness of marketing initiatives including digital engagement, footfall, event attendance and tenant engagement. Develop a reporting framework to monitor KPIs and provide insights into campaign performance. Regularly review and analyse marketing data to identify trends, areas for improvement, and opportunities.

- Budgeting and Resource Allocation: Develop a comprehensive marketing budget that aligns with the overall business budget. Continuously monitor and optimise budget allocation based on performance and Return On Investment analysis.

Mars Pension Trustees Limited

Middleton Grange Shopping Centre,
Hartlepool, TS24 7RZ

November 2023

Update Required November 2024

Planned Maintenance Report

Contents

1. Executive Summary

1.1 General Overview and Recommendations

In accordance with the instruction, a ten year maintenance plan has been prepared in connection with the fabric of the building. The Planned Maintenance Report is required in respect of the internal common parts areas including the five principal malls at ground level and two upper malls over the west side of the centre. In addition we will inspect the public welfare facilities, external roofs, service decks and elevations. The report will not extend to the demised or vacant retail units or listed buildings, as these are understood to be subject to internal repairing dilapidation obligations or landlord liability.

This Planned Maintenance Report has been prepared by Jones Lang LaSalle upon the instructions of Mars Pension Trustees Limited. It was prepared following Jones Lang LaSalle's inspection of the property on 21st September, 18th October and 1st November.

Middleton Grange is a shopping centre located in the centre of Hartlepool, which was purchased by Mars Pension Trustees Limited in 2013.
The original buildings date back to the late 1960s however the property has been developed and extended into the existing covered shopping centre.
The Centre also includes a listed property that is currently vacant following the administration of the ground floor tenant, Wilkos.

Our inspection identified a significant amount of maintenance required to all areas of the property including roof repairs/refurbishment, service deck repairs/surface renewal, masonry/structural joint repairs, joinery repairs and decoration.

1.2 Summary of Main Year One Works

We have listed the main items recommended for year one below:-

- Work to make safe and re-build service cupboard to Service Deck A
- Work to make safe the glazed bricks and concrete soffit to Service Deck B
- Resecure handrail to service deck walkway to Service Deck B allowing for installation of additional Armco barrier.
- Define ownership/ liability of flyover from York Road - if the shopping centre undertake structural survey and repairs to remediate cracks, spalling concrete etc.
- Replace fan light above door to Elevation 6.
- Removal of spalled concrete debris and concrete repair to Elevation 16.
- Repair of lightning protection cable to Elevation 14.
- Various items of redecoration and backlog maintenance.

1.3 Summary of Other Major Projects for Fabric and M&E

Below are listed major projects which we believe will need to be undertaken in within the reporting period:

- Renewal of asphalt surface to Service Deck A and the access ramp.
- Renewal of the roof coverings to Roof 16 and Roof 21
- Renewal of roof covering to Roof 3
- Renewal of asphalt surface to the front section of Service Deck B and ramp (area not replaced previously)
- Renewal of macadam wearing, in the long term, to the delivery area off Villiers Street (Elevation 6)
- Renewal of roof covering to roof 2 in the long term.

1.4 Summary of High Priority works (H&S)

We have listed high priority and health & safety works which require attention below:-

- Work to make safe and re-build service cupboard to Service Deck A
- Work to make safe the glazed bricks and concrete soffit to Service Deck B
- Replace fan light above door to Elevation 6.
- Removal on spalled concrete debris and concrete repair to Elevation 16.
- Repair of lightning protection cable to Elevation 14.

1.5 Summary of Costs

					2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2034
	1	Statutory / Health and Safety			**£ 61,180.00**	**£ -**	**£ -**	**£ -**	**£ -**	**£ -**
	2	Essential			**£ 49,700.00**	**£ 237,130.00**	**£ 252,205.00**	**£ 29,500.00**	**£ 19,750.00**	**£ 34,850.00**
	3	Preventative			**£ 26,740.00**	**£ 21,430.00**	**£ 56,145.00**	**£ 98,015.00**	**£ 51,661.00**	**£ 130,060.00**
	4	Beneficial			**£ 3,575.00**	**£ 1,725.00**	**£ 4,669.00**	**£ 41,628.00**	**£ 49,417.00**	**£ 73,447.00**
		Total Works			141,195.00	260,285.00	313,019.00	169,143.00	120,828.00	238,357.00
		TOTAL WORKS			£141,195.00	£ 260,285.00	£ 313,019.00	£169,143.00	£120,828.00	£ 238,357.00
		TOTAL FEES			£ 16,943.40	£ 32,484.20	£ 38,812.28	£ 21,547.16	£ 14,499.36	£ 34,852.84
		TOTAL COSTS			£158,138.40	£ 292,769.20	£ 351,831.28	£190,690.16	£135,327.36	£ 273,209.84

1.6 Deferred Maintenance Items

To be discussed and agreed accordingly.

2. Introduction

2.1 Instructions

2.1.1	Client Name & Address:	Mars Pension Trustees Limited c/o Middleton Grange Shopping Centre, Hartlepool
2.1.2	Property Address:	Middleton Grange Shopping Centre, 26 Middleton Grange, Hartlepool, TS24 7RZ
2.1.3	Date of Inspection & Weather:	21st September, 18th October and 1st November. The weather varied in condition. Generally dry and overcast.
2.1.4	Surveyors Involved:	Luke Hanwell and Alex Young
2.1.5	Other Consultants Involved:	None

2.1.6 This Planned Maintenance Report has been prepared by Jones Lang LaSalle upon the instructions of Mars Pension Trustees Limited. It was prepared following Jones Lang LaSalle's inspection of the property in October 2023.

2.1.7 The report is a new planned maintenance schedule commencing service charge year 2024-2025.

2.1.8 This Schedule records works required to be undertaken to the property in order that maintenance of the fabric can be organised and carried out in a planned manner which will help to avoid unexpected failure or deterioration of elements and the associated disruption this can cause. It will also enable budgets to be calculated and expenditure on maintenance to be forecasted over a 10 year period.

2.1.8 The building services installations have not been inspected as part of this instruction. JLL understand an independent company is being appointed to prepare the report for the services installations.

2.2 Format of Schedule

2.2.1 Maintenance Class

Priority Codes have been included to denote the urgency of a particular task as follows:

Ref	Class	Possible Outcome of Deferment
1	Statutory / Health and Safety	Failure to meet legal responsibilities. Possible closure of section of property. Danger to property users and / or public.
2	Essential	Property or significant element will become unfit for purpose. Failure replacement, maintenance and running costs will escalate / become disproportionate. Also lease and warrantee obligations.
3	Preventative	Further deterioration and damage. Repair and running costs will increase with period of deferment.
4	Beneficial	May result in lower standards and decrease of asset value. This rating also includes work that would provide future savings / payback or to meet current good practice. Items identified as "Sustainability" works should also be included as beneficial.

2.2.2 In view of the difficulties of long term forecasting, it is not possible to be precise as to when repairs will be required. For example, some elements of the building fabric may continue to perform satisfactorily and the proposed works could be deferred.

2.2.3 This report is not intended for use in connection with day to day routine maintenance works such as cleaning or reactive maintenance and minor repair items.

2.3 The Inspection

2.3.1 At the time of our inspection, October 2023, the property was occupied and parts were obscured by Tenant's contents and fittings. The schedule does not reflect deterioration or damage to the property subsequent to the date of inspection. It was not possible to inspect woodwork or any other parts of the structure which were covered, unexposed or inaccessible. It is not, therefore, possible to determine any liability in respect of any defects which may subsequently become apparent including, but not limited to, timber defects of any nature, beetle infestation, vermin, insects, defects in constituents of concrete, the positioning of reinforcement, the extent of bearings, ties or fixings or any defects of a similar nature. In the preparation of this schedule no tests have been carried out of any service installations.

2.3.2 As part of the instruction JLL were appointed to inspect the areas of the property that are covered by the Property service charge. The Binns unit has not been inspected as part of the instruction.

2.3.3 This report is a working document which should be reviewed annually. We recommended that detailed inspections are undertaken at lease every five years and the planned maintenance report is updated accordingly.

2.4 Estimated Costs

2.4.1 Costs are provided as budgets and are based on the assumption that works are competitively tendered and a single fixed price contract is placed with a contractor. Contractors preliminaries, overheads and profit are included in the figures.

2.4.2 A cost summary including professional fees associated with the remedial works is provided at Section 4. VAT is excluded from all budget costs.

2.4.3 The schedules in this report should not be considered as providing adequate information for tendering and it is recommended that professional advice is obtained in the preparation of a specification for this purpose.

2.5 Third Party Clause

2.5.1 In accordance with our standard practice we must state this report is confidential to the party to whom it is addressed and their professional advisors, and no responsibility is accepted to any third party whether under the Contracts (Rights of Third Parties) Act 1999 or otherwise for the whole or any part of its contents. Neither the whole, nor any part of this report, or any reference thereto, may be included in any document or statement, nor published or reproduced in any way, without our prior approval in writing as to the form or context in which it will appear.

2.6 Quality Assurance

	Prepared by:	**Approved by:**
Name	Luke Hanwell	Tom Phillips
Position	Senior Surveyor	Associate
Signature		
Date	17-Nov-23	27-Nov-23

Revision	**Date**	**Status (Draft/Final)**	**Principal Change(s)**
1			
2			
3			
4			

3. Background & Commentary

3.1 Brief Description of Property

Middleton Grange Shopping Centre is located in Hartlepool town Centre. It was originally constructed in 1969 and subsequently extended to provide in excess of 530,000 sq ft of retail accommodation (area provided by others). To the corner of Victoria Street and Stockton Street the Centre includes a Grade II listed Victorian building understood to date from 1902.

The Centre has two service decks at first floor level; service deck A accessed from the vehicle accessible section of Avenue Road and service deck B accessed from a ramp off Waldon Street.

The Centre is constructed of a cast insitu reinforced concrete frame supporting cast insitu reinforced concrete floors and flat roofs. External walls are generally facing brick cavity walls with a blockwork inner skin. The Market Hall structure is of reinforced concrete.

The Binns unit, a Grade II Listed Victorian building, is understood to be considered as the first steel framed building in the UK. The construction is of steel and iron framework with masonry walls supporting flat roofs above. To the original section of the building, the elevation overlooking Stockton Street, there is a decorative terracotta and brickwork pediment at second floor level with terracotta balustrade and timber clock towers to either side.

3.2 Sustainability *(Amend as appropriate)*

3.2.1 General

This is an important issue for buildings with legislation now placing energy requirements on new and the existing building stock. We have not undertaken a detailed review of sustainable issues associated with the property, although we have made some general comments below and in the main body of the report. It would be prudent to commission a more detailed study to help protect the building from future obsolescence and this can by incorporated within the planned maintenance programme:-

3.2.2 EPC's

We confirm that we have seen the EPC with the certificate reference number 2656-8542-0475-9674-4391, issued on 10 November 2020, which shows this building as D based on an asset rating of 100.

3.3 Non Cyclical Maintenance/Projects

3.3.1 Accessibility (Equality Act)

We have not carried out an Access Audit as part of our inspection.

3.3.2 Other Non cyclical works e.g. refurbishment projects etc.

The report recommends replacement or renewal of various elements including but not limited to roof coverings, doors, repair works etc.

3.4 Deferment

3.4.1 The programme shows expected annual maintenance expenditure over the forthcoming five years. It also provides an indication of medium term expenditure as a lump sum for years 6-10.

The appropriate timing to undertake the works is defined by the year in which costs are shown. The flexibility of the timing is defined by the priority classification. It should be noted that deferring work can lead to accelerated deterioration. If it is proposed to defer works you should understand the repercussions of doing so by speaking with the building surveyor.

Deferred items should be highlighted in red and re-programmed.

4. Maintenance Schedule (fabric)

Item	Element and Location	Description	Condition	Remedial Works Required	Priority	2024 - 2025	2025 - 2026	2026 - 2027	2027 - 2028	2028 - 2029	2029 - 2034	Photo	Comment
	External												
4.1	**Roofs**												
4.1.1	Roof 1	Lower roof level roof with mineral felt covering with various service penetrations and plant.	Overall fair condition. Minor surface soiling indicating areas of ponding. Areas have been patched previously.	No works envisaged.									
4.1.2	Roof 1	Elevations to the roof comprise brickwork in a stack bond.	Fair condition. Isolated brackets remain from previous plant installations. A tenant's extract ductwork is missing the external cover to the west elevation.	Allow to remove redundant pipework.	4					£1,250.00			
4.1.3	Roof 1	Single timber door with paint finish from gold corridor with thumb turn lock and handle.	Door is decayed an in very poor condition.	Replace timber doorset.	2	£1,000.00							
4.1.4	Roof 1	Double fire exit door with paint finish from red corridor	Paint finished is in very poor condition, notably to the frame and sill/threshold, with timber decay evident to sill.	Replace door sill in the short term. Allow replacement of the doorset in the medium term.	2	£200.00			£1,500.00				
4.1.5	Roof 1	Previously painted surfaces - doorsets etc.	Generally poor condition.	Undertake cyclical redecoration of previously painted surfaces.	3	£1,200.00					£1,200.00		
4.1.6	Roof 2	Asphalt roof with rooflights and various service penetrations including asbestos flues. A section of the roof to the north aspect has been overlaid with felt.	The asphalt is generally in a fair condition with surface lichen growth throughout. The asphalt and felt are blisters to areas, but there a no reports of any ongoing roof leaks. To the north aspect there have been liquid applied repairs undertaken to the felt joints and junction between the lift shaft from the black corridor and felt upstand detail.	Allow to clean down and apply solar reflective paint to asphalt. Replacement of the asphalt roof covering, including felt overlay section, to be expected.	3	£8,085.00					£86,625.00		
4.1.7	Roof 2	To the south the profiled metal roof with factory applied plastisol coating (from roof 24) discharges onto the roof.	Generally soiled with lichen growth. Cut edge corrosion has started to the edge of the panels.	Allow to clean down and apply cut edge corrosion treatment.	2		£5,440.00						
4.1.8	Roof 2	Freestanding galvanised metal edge protection is provide to the perimeter and to fragile surface (e.g. rooflights) where necessary.	Satisfactory condition.	No works envisaged.									
4.1.9	Roof 3	Lower level roof with asphalt roof covering with asphalt upstand. Plant located centrally to the roof.	Generally poor condition. Localised repairs have been carried out to the asphalt historically including bitumen repairs and more recently felt patch repairs have been carried out to address leaks, defects etc. The exposed asphalt is heavily cracked particularly to the north aspect of the roof.	Allowance for ongoing repair with replacement deferred.	2	£2,500.00	£2,500.00	£2,500.00	£26,500.00				
4.1.10	Roof 3	Single timber doorset with paint finishes.	Fair condition. The paint finish is starting to deteriorate.	Undertake cyclical redecoration of the doorset.	3	£150.00					£150.00		
4.1.11	Roof 3	Gas pipework to plant installation.	Gas pipework has been decorated up to roof 3. Poor decoration and surface corrosion to remaining section of gas pipework.	Undertake cyclical redecoration of the gas pipework.	3	£200.00					£200.00		
4.1.12	Roof 4	Asphalt roof with rooflights and various service penetrations. Central walkway provided over the management suite, to roof 5. Plant and galvanised metal kee klamp frame provide to the roof.	The asphalt is blistered to a large proportion of the area of over the management suite, but is no evidence of water ingress below. Area of damaged to the upstand to the corner of roof 3. Significant lichen growth throughout. Note: RAAC panels identified beneath the asphalt roof coverings to the management suite and over the rear of the gold corridor.	Allow to repair damaged upstand, clean down and apply solar reflective paint to asphalt.	3	£6,855.00					£1,855.00		
4.1.13	Roof 4	Parapet walls are a combination of painted concrete, painted masonry and metal profile cladding.	Satisfactory condition. Paintwork is generally faded and flaking to areas.	Undertake decoration on a cyclical basis.	3	£400.00					£400.00		
4.1.14	Roof 4	Freestanding galvanised metal edge protection is provide to the perimeter and to fragile surface (e.g. rooflights) where necessary.	Satisfactory condition.	No works envisaged.									

4. Maintenance Schedule (fabric)

Item	Element and Location	Description	Condition	Remedial Works Required	Priority	2024 - 2025	2025 - 2026	2026 - 2027	2027 - 2028	2028 - 2029	2029 - 2034	Photo	Comment
4.1.15	Roof 4	Metal double doors with paint finish to west aspect of the roof.	Decoration finishes are in very poor condition. Areas of corrosion evident.	We understand the tenants are liable for the repair and maintenance of the doors, as such no costs are included within the report.									
4.1.16	Roof 4	Stack bond brickwork to the west elevation to the roof.	Overall fair condition. Isolated areas of repointing evident.	No works envisaged.									
4.1.17	Roof 4a	Profiled metal roof above the management suite meeting roof.	Satisfactory condition.	No works envisaged.									
4.1.18	Roof 4b - Management suite courtyard	Asphalt roof covering with liquid applied finish.	Satisfactory condition.	No works envisaged.									
4.1.19	Roof 4b - Management suite courtyard	Elevations are a combination of stack bond brickworks with decorated concrete above.	Satisfactory condition.	No works envisaged.									
4.1.20	Roof 4b - Management suite courtyard	Windows are a combination of aluminium framed and up framed double glazed units.	Satisfactory condition.	No works envisaged.									
4.1.21	Roof 4b - Management suite courtyard	Doors are a combination of aluminium, aluminium framed glazed doorsets and painted timber doorsets.	Satisfactory condition.	Undertake decoration on a cyclical basis, allowing to include the timber panelling to the left side of the WC door.	3	£350.00					£350.00		
4.1.22	Roof 5	Felt roof covering with redundant plant equipment.	Fair condition. Damage evident to the felt covering by the steps to roof 6. Lichen growth also noted to felt coverings.	Allow to patch repairs areas of damage, and cyclical clean of felt covering.	2	£1,500.00		£400.00			£400.00		
4.1.23	Roof 5	Freestanding galvanised metal edge protection is provide to the perimeter and to fragile surface (e.g. rooflights) where necessary.	Satisfactory condition.	No works envisaged.									
4.1.24	Roof 5	2no louvres to low level brickwork walls.	Fair condition. 1no louvres displaced and perished sealant to perimeter of both louvres.	Allow to re-fix louvres and rake out and renew perimeter sealant.	3	£250.00							
4.1.25	Roof 6	Felt roof covering brickwork parapet walls	Satisfactory condition.	No works envisaged.									
4.1.26	Roof 6	Plant penetrations throughout the roof.	Overall fair condition. Surface corrosion to the covers to the services	Allow to replace corroded covers.	3			£600.00					
4.1.27	Roof 6	7no metal and asbestos service pipes /flues at various locations throughout the roof.	The pipes do not have cowls fitted and remain open.	Allow to install cowls or appropriate terminal to the pipework.	2	£800.00							
4.1.28	Roof 6	Stack bonded brickwork to parapet walls.	Generally fair condition. Defective pointing evident above felt upstands.	Re-point areas of defective pointing.	3			£500.00			£500.00		
4.1.29	Roof 6	3no boarded up windows to upper 6 wall.	Poor condition. Window sills are decayed. Timber boarding is weathered with decay to be expected in the short term.	Remove boarding and windows, and replace with new.	2	£1,500.00							
4.1.30	Roof 6	Freestanding galvanised metal edge protection is provide to the perimeter and to fragile surfaces (e.g. rooflights) where necessary.	Satisfactory condition.	No works envisaged.									
4.1.31	Upper Roof of 6	Upper roof accessed via cat ladder from roof 6. Asphalt roof	Fair condition. Build-up of lichen growth to the roof preventing full inspection.	Allow to clean down the roof and review condition accordingly.	3			£350.00					
4.1.32	Upper Roof of 6	Freestanding galvanised metal edge protection is provide to the perimeter and to fragile surface (e.g. rooflights) where necessary.	Satisfactory condition.	No works envisaged.									
4.1.33	Upper Roof of 6	Roof includes a lower section access from a tenant's demise, assumed asphalt roof covering.	Building up of moss and debris evident.	Allow to clean down and remove build-up of debris.	3				£180.00				
4.1.34	Upper Roof of 6	Lower section of roof - 2no open ended pipes; 1no metal and assumed from tenants demise, 1no asbestos.	Pipes are open to the elements.	Allow to remove asbestos pipe and terminate safely.	4			£1,200.00					
4.1.35	Roof 7 - Market Square Roof	Mineral felt roof covering and Georgian wired north light windows. This was not reviewed as part of the PPM due to RAAC panels forming part of the roof structure.	We understand the mineral felt was recovered 2-3 years ago.	Any works would form part of the longer term strategy for the building and shopping centre, as such no costs have been included within the report for the Market Hall.									
4.1.36	Roof 8	Liquid applied system to roof.	Satisfactory condition.	No works envisaged.									

4. Maintenance Schedule (fabric)

Item	Element and Location	Description	Condition	Remedial Works Required	Priority	2024 - 2025	2025 - 2026	2026 - 2027	2027 - 2028	2028 - 2029	2029 - 2034	Photo	Comment
4.1.37	Roof 8	Freestanding galvanised metal edge protection is provide to the perimeter and to fragile surface (e.g. rooflights) where necessary.	Satisfactory condition.	No works envisaged.									
4.1.38	Roof 8	Plant penetrations and rooflights to the roof.	Surface corrosion to plant penetration covers and 1no cracked rooflight.	Allow to replace corroded covers and cracked rooflight.	3	£500.00		£600.00					
4.1.39	Roof 9	Felt roof covering with brickwork parapet walls and concrete frame penetrations.	Satisfactory condition.	No works envisaged.									
4.1.40	Roof 9	Brickworks parapet walls.	Overall fair condition, vegetation growth within parapet mortar joints.	Remove vegetation growth and re-point areas of defective pointing.	3		£500.00						
4.1.41	Roof 9	2no large double timber doorsets to rear of main section of roof.	Poor condition. Paint is flaking, timber doors are decayed and a board have been fixed across the left doorset into the brickwork to secure it. Additionally, a section of brickwork has been displaced to the right side of the left doorset.	Allow to replace double doors and rebuild sections of damaged brickwork.	2	£4,000.00							
4.1.42	Roof 9	1no small timber access hatch / door to main roof.	Poor condition, timber is decayed.	Replace timber hatch with new.	2	£400.00							
4.1.43	Roof 9	Concrete frame piers penetrating through the felt.	Concrete has spalled and reinforcement corroded to a number of concrete piers.	Allow to hack off loose concrete and undertake concrete repairs as necessary.	3			£3,500.00					
4.1.44	Roof 9	Lower section - Felt roof covering with rooflights.	Satisfactory condition.	No works envisaged.									
4.1.45	Roof 9	Lower section - Freestanding galvanised metal edge protection is provide to the perimeter and to fragile surface (e.g. rooflights) where necessary.	Satisfactory condition.	No works envisaged.									
4.1.46	Roof 9	Lower section - Concrete framed parapet wall with brickwork infill.	Brickwork is in satisfactory condition. Concrete to top of the parapet is spalled and damaged to isolated locations.	Allow to hack off loose concrete and undertake concrete repairs as necessary.	3			£1,500.00					
4.1.47	Upper Roof of 9	Felt roof covering.	Satisfactory condition. Lichen growth evident.	No works envisaged.									
4.1.48	Upper Roof of 9	Freestanding galvanised metal edge protection is provided to the perimeter and to fragile surface (e.g. rooflights) where necessary.	Satisfactory condition.	No works envisaged.									
4.1.49	Upper Roof of 9	Timber boarding to the top of the services riser shaft.	Poor condition timber is decayed.	Replace timber boarding and provide weatherproof finish e.g. felt covering.	2	£350.00							
4.1.50	Roof 10	Glazed atrium roofs.	Fair condition. We understand there have historically been leaks but these has now been resolved.	No works envisaged.									
4.1.51	Roof 10	Felt roof covering with mansafe access system to flat roof sections.	Satisfactory condition.	No works envisaged.									
4.1.52	Roof 10	Painted steel access gantries providing access to the roofs.	Satisfactory condition.	Undertake decoration on a cyclical basis, allowing to include the timber panelling to the left side of the WC door.	3				£1,800.00		£1,800.00		
4.1.53	Roof 10	Section of profiled metal roofing to the perimeter.	Satisfactory condition.	Allow for cut edge corrosion treatment in medium to long term.	4						£3,000.00		
4.1.54	Roof 11	Binns Units - Not to be included within the PPM											
4.1.55	Roof 12	Felt roof covering.	Satisfactory condition. Lichen growth evident.	No works envisaged.									
4.1.56	Roof 12	Section of profiled metal roofing to the west aspect.	Satisfactory condition.	Allow cut edge corrosion treatment in medium to long term.	4						£2,550.00		
4.1.57	Roof 13	Felt roof covering with aluminium capping's to low level perimeter parapet. Roof lights and service penetrations	Satisfactory condition. Minor lichen growth.	No works envisaged.									
4.1.58	Roof 13	Freestanding galvanised metal edge protection is provided to the perimeter and to the internal side of the fragile surfaces (rooflights etc) creating a walkway.	Satisfactory condition.	No works envisaged.									

4. Maintenance Schedule (fabric)

Item	Element and Location	Description	Condition	Remedial Works Required	Priority	2024 - 2025	2025 - 2026	2026 - 2027	2027 - 2028	2028 - 2029	2029 - 2034	Photo	Comment
4.1.59	Roof 14	Flat roof with felt covering, brickwork parapet wall to the east, and low level felt covered parapet wall to the west.	Overall satisfactory condition. Section of torn and damaged lead flashing to the Binns unit. To the north east corner, where the brickwork parapet wall meets the Binns unit, a repair has been undertaken using a liquid applied system and flash band.	Allow to remove flash band and section of torn lead and replace with new lead flashing.	2	£750.00							
4.1.60	Roof 14	Freestanding galvanised metal edge protection is provided to the perimeter.	Satisfactory condition.	No works envisaged.									
4.1.61	Roof 15	Felt roof covering with roof lights and service penetrations. PV panels installed to roof.	Satisfactory condition. Sections of patch repair to felt covering evident. Minor lichen growth.	No works envisaged.									
4.1.62	Roof 15	Freestanding galvanised metal edge protection is provided to the perimeter and to fragile surface (e.g. rooflights) where necessary.	Satisfactory condition.	No works envisaged.									
4.1.63	Roof 15	Felt covered service access hatch to west aspect.	Felt has debonded from the structure and is generally in poor condition at low level.	Allow to remove felt covering and provide new weather proofing detail.	2		£800.00						
4.1.64	Roof 15 - Lower Section	Asphalt covering with asphalt upstands.	Fair condition. Asphalt upstands require re-pointing.	Allow to repoint upstands.	3		£250.00						
4.1.65	Roof 16	Asphalt roof covering with liquid applied system on top.	Poor condition. Liquid applied coating has failed with fleece now exposed beneath. Cracking noted to isolated areas of the liquid applied coating / asphalt.	Allow to renew roof covering.	2			£91,780.00					
4.1.66	Roof 16	Timber double door set with decorative finishes providing access to the roof.	Poor condition. Paintwork is in poor condition. Timber frame and doors are decayed.	Allow to replace doorset.	2			£1,600.00					
4.1.67	Roof 16	uPVC cladding to plant room / roof access.	Fair condition.	No works envisaged.									
4.1.68	Roof 16	Stack bond brickwork plant room / roof access, and parapet walls.	Overall fair condition. Isolated areas of poor pointing.	Allow to re-point sections of defective pointing.	3			£250.00					
4.1.69	Roof 16	Single timber doorset to plant room.	Poor condition. Paintwork is in poor condition. Timber frame and doors are decayed.	Allow to replace doorset.	2		£750.00						
4.1.70	Roof 17	Felt roof covering with aluminium capping's to low level parapet walls. PV panels installed to roof.	Satisfactory condition.	No works envisaged.									
4.1.71	Roof 17	Freestanding galvanised metal edge protection is provided to the perimeter.	Satisfactory condition.	No works envisaged.									

4. Maintenance Schedule (fabric)

Item	Element and Location	Description	Condition	Remedial Works Required	Priority	2024 - 2025	2025 - 2026	2026 - 2027	2027 - 2028	2028 - 2029	2029 - 2034	Photo	Comment
4.1.72	Roof 18	Felt roof covering with aluminium capping's to low level parapet walls. PV panels installed to roof.	Satisfactory condition.	No works envisaged.									
4.1.73	Roof 18	Freestanding galvanised metal edge protection is provided to the perimeter.	Satisfactory condition.	No works envisaged.									
4.1.74	Roof 19	Asphalt roof covering with a semi-bonded red stone finish.	Overall in fair condition. Isolated sections of the red stone finish has worn away and degraded exposing the asphalt.	Allow to replace red stone finish to asphalt.	3		£250.00						
4.1.75	Roof 19	Freestanding galvanised metal edge protection is provided to the perimeter.	Satisfactory condition.	No works envisaged.									
4.1.76	Roof 20	Glazed atrium roof with profiled metal cladding at to the lower sections of the pitch.	Fair condition. Minor soiling to glazing and profiled metal roof. Cut edge corrosion noted to the lower edge of the roof.	Allow to undertake cut edge corrosion treatment.	2		£5,440.00						
4.1.77	Roof 20	Asphalt covering to the rear of the roof.	Fair condition.	No works envisaged.									
4.1.78	Roof 20	Large blockwork parapet wall with rendered finish and lead flashing to the base of the wall.	Fair condition generally. Render to 2no sections is damaged with sections displaced. Debris remains to roof beneath.	Allow to hack off all loose render and replace rendered finish.	3		£3,000.00						
4.1.79	Roof 20	Steelwork supporting plant with paint finishes.	Paint finishes are degraded and flaking.	Allow to undertake cyclical decoration of paint finishes.	3		£800.00				£800.00		
4.1.80	Roof 21	Flat roof with felt covering and low level blockwork parapet wall with metal capping's. Isolated service penetrations have been encapsulated by a liquid applied system.	Felt is degraded and in poor condition. Centre has reported leaks previously, these have been resolved by bitumen patch repairs.	Allow to renew roof covering.	2			£44,850.00					
4.1.81	Roof 21	Freestanding galvanised metal edge protection is provided to the perimeter.	Satisfactory condition.	No works envisaged.									
4.1.82	Roof 21 - Low Level	Felt roof covering with low level parapet wall with metal capping's.	Satisfactory condition.	No works envisaged.									
4.1.83	Roof 21 - Low Level	Freestanding galvanised metal edge protection is provided to the perimeter.	Satisfactory condition.	No works envisaged.									
4.1.84	Roof 22	Felt roof covering with gravel finish, low level parapet wall with metal capping's.	Satisfactory condition.	No works envisaged.									
4.1.85	Roof 22	Freestanding galvanised metal edge protection is provided to the perimeter.	Satisfactory condition.	No works envisaged.									
4.1.86	Roof 23	Felt roof covering with gravel finish, low level parapet wall with metal capping's.	Satisfactory condition.	No works envisaged.									
4.1.87	Roof 23	Freestanding galvanised metal edge protection is provided to the perimeter.	Satisfactory condition.	No works envisaged.									
4.1.88	Roof 24	Flat roof with mineral felt roof covering, low level parapet walls with felt upstands and metal capping's. PV panels installed to roof. Note: access was not available to inspect the atrium section of the roof.	Satisfactory condition. Lichen growth to areas.	No works envisaged.									
4.1.89	Roof 24	Painted steel supporting plant structure and painted steel frame from atrium.	Surface corrosion to plant structure due to poor paint finishes. Steel frame to atrium is soiled.	Undertake cyclical redecoration.	3			£1,200.00			£1,200.00		
4.1.90	Roof 24	Profiled metal roof sheets with factory applied coatings. Cut edge corrosion treatment evident to the sections to the north west corner.	Fair condition. Coating is damaged and has failed to the north west corner. Cut edge corrosion to metal profiled sheets to the west aspect of the roof.	Allow to undertake cut edge corrosion treatment.	3			£13,600.00					

4. Maintenance Schedule (fabric)

Item	Element and Location	Description	Condition	Remedial Works Required	Priority	2024 - 2025	2025 - 2026	2026 - 2027	2027 - 2028	2028 - 2029	2029 - 2034	Photo	Comment
4.1.91	Roof 24	Freestanding galvanised metal edge protection is provided to the perimeter.	Satisfactory condition.	No works envisaged.									
4.1.92	Roof 26	Flat roof with mineral felt roof covering, low level parapet walls with felt upstands and metal capping's. PV panels installed to roof. Note: access was not available to inspect the atrium section of the roof.	Satisfactory condition. Lichen growth to areas.	No works envisaged.									
4.1.93	Roof 26	Freestanding galvanised metal edge protection is provided to the perimeter.	Satisfactory condition.	No works envisaged.									
4.1.94	Roof 27	Flat roof with mineral felt roof covering.	Satisfactory condition.	No works envisaged.									
4.1.95	Roof 27	Freestanding galvanised metal edge protection is provided to the perimeter.	Satisfactory condition.	No works envisaged.									
4.2	**Service Decks**												
4.2.1	Service Deck A	Asphalt surface with thermoplastic lining.	The asphalt surface is cracked with vegetation growth within the cracks, blistered, slumped upstands and generally in poor condition. The asphalt surfaces has been patched repaired to a number of areas. Thermoplastic lining is generally faded.	Allow to renew asphalt surfacing including renewal of thermoplastic lining.	2			£99,825.00					
4.2.2	Service Deck A	Stack bond brickwork with painted concrete above to the majority of the elevations.	Fair condition. Decorated surfaces are soiled.	Allow to undertake cyclical redecoration of the previously decorated concrete.	4			£2,144.00			£2,144.00		
4.2.3	Service Deck A	Mosaic tile finish to wall to right side of service ramp gate.	A number of tiles have been displaced.	Allow to undertake hammer test to remove loose tiles.	2	£1,250.00							
4.2.4	Service Deck A	Painted concrete elevations to Market Hall.	Fair condition. Decorated surfaces are soiled.	Any works would form part of the longer term strategy for the building and shopping centre, as such no costs have been included within the report for the Market Hall.									
4.2.5	Service Deck A	Windows comprise a combination of single glazed metal framed ribbon windows with decorative finishes, double glazed uPVC windows and double glazed aluminium framed windows.	Aluminium and uPVC windows are in good condition. The metal windows are in poor condition; the paint finishes have failed and area flaking, and number of metal sills are impact damaged.	We understand the tenants are liable for the repair and maintenance of the metal windows, as such no costs are included within the report.									
4.2.6	Service Deck A	Painted timber doorsets to tenant demises.	Doors are in poor condition; decoration finishes failed and flaking. Various doors are decayed.	We understand the tenants are liable for the repair and maintenance of the doors, as such no costs are included within the report.									
4.2.7	Service Deck A	Painted timber doorsets to Landlord areas.	Decoration finishes are in poor condition; the paint has failed and is flaking.	Allow to undertake cyclical redecoration of the timber doorsets.	3	£1,300.00					£1,300.00		
4.2.8	Service Deck A	Powder coated aluminium doorsets to Landlord areas.	Good condition.	No works envisaged.									
4.2.9	Service Deck A	Brickwork service cupboard with timber doorset to right side of service ramp gate.	Cracked and displaced brickwork to both sides of the service cupboard. Timber boarding to doorset is in poor condition and decayed. Mineral felt has been overlaid to the asphalt upstand and threshold; the felt is loose and in poor condition, exposing the timber frame to the base.	Allow to take down service cupboard and re-build the brickwork structure and replacing the doorset, ensuring the structure is water and weathertight.	1	£1,500.00							
4.2.10	Service Deck A	Service store unit adjacent to red corridor.	Unit is heavily corroded.	Allow to replace with new.	2	£800.00							
4.2.11	Service Deck A	Galvanised metal double vehicle access gates with metal security metal and metal anti-climb guard to the top of the gates.	Satisfactory condition.	No works envisaged.									

4. Maintenance Schedule (fabric)

Item	Element and Location	Description	Condition	Remedial Works Required	Priority	2024 - 2025	2025 - 2026	2026 - 2027	2027 - 2028	2028 - 2029	2029 - 2034	Photo	Comment
4.2.12	Service Deck A - Ramp	2no vehicle access barriers with 1no bollard each sides to the service ramp.	Overall fair condition. Surface corrosion evident to the base of the bollards.	Allow to treat and redecorate the base of the bollards.	3			£120.00			£120.00		
4.2.13	Service Deck A - Ramp	Concrete ramp with asphalt surfaces and a macadam wearing course, and painted concrete walls.	The macadam wearing course is heavily degraded and worn. The condition of the asphalt surface beneath could not be determined but deterioration is expected due to corrosion of reinforcement and spalling of concrete to the ramps soffit beneath.	Allow to renew asphalt surfacing.	3			£23,650.00					
4.2.14	Service Deck A - Ramp	Concrete ramp with asphalt surfaces and a macadam wearing course, and painted concrete walls.	Corrosion of reinforcement and spalling of concrete to the soffit of the service ramp.	Works are being undertaken as a separate project and therefore no costs have been included.									
4.2.15	Service Deck A - Ramp	Concrete ramp with asphalt surfaces and a macadam wearing course, and painted concrete walls.	Cracking the concrete walls to service ramp to the left side (yard side) and spalling concrete to the right side of the ramp (car park side)	Allow consult a structural engineer and undertake concrete repairs.	2			£8,000.00					
4.2.16	Service Deck A - Ramp	Galvanised security mesh fencing and painted timber palisade fencing to the openings below the service ramp.	Satisfactory condition.	Allow to undertake cyclical redecoration of the timber fencing.	4			£400.00			£400.00		
4.2.17	Service Deck B	Asphalt surface with thermoplastic lining.	The rear section was resurfaced circa 2018 and is generally in satisfactory condition with exception of isolated areas of rippling to drainage channels. The front section is in poor condition. The asphalt surfaces is degraded with deterioration in the form of cracking, crazed cracking, patch repairs noted. Thermoplastic lining is faded to the front section.	Allow to renew asphalt surface to the front section of the service deck, including renewal of thermoplastic lining. Allow cyclical renewal of thermoplastic lining .	3				£47,300.00		£2,500.00		
4.2.18	Service Deck B	Liquid coating to asphalt upstands.	Poor condition; coating has not adhered to the asphalt upstands and is damaged is torn.	Allow to remove existing liquid applied coating and renew.	3				£5,000.00				
4.2.19	Service Deck B	Stack bond brickwork with painted concrete above to the majority of the elevations.	Fair condition. Decorated surfaces are soiled.	Allow to undertake cyclical redecoration of the previously decorated concrete.	4				£3,840.00		£3,840.00		
4.2.20	Service Deck B	Painted timber doorsets to tenant demises.	Doors are in poor condition; decoration finishes failed and flaking. Various doors are decayed.	We understand the tenants are liable for the repair and maintenance of the doors, as such no costs are included within the report.									
4.2.21	Service Deck B	Painted timber doorsets to Landlord areas.	Decoration finishes are in poor condition; the paint has failed and is flaking.	Allow to undertake cyclical redecoration of the timber doorsets.	3		£2,400.00				£2,400.00		
4.2.22	Service Deck B	Windows comprise single glazed metal framed ribbon windows with decorative finishes.	Windows are in poor condition; the paint finishes have failed are flaking and a number of metal sills are impact damaged.	We understand the tenants are liable for the repair and maintenance of the metal windows, as such no costs are included within the report.									
4.2.23	Service Deck B	Armco barriers with decorative finishes.	Fair condition. Decoration finishes are worn and flaking.	Allow to undertake cyclical redecoration of the Armco barriers.	3				£350.00		£350.00		
4.2.24	Service Deck B	Steel frame to atrium with paint finishes.	Fair condition.	Allow to undertake cyclical redecoration.	3				£480.00		£480.00		
4.2.25	Service Deck B	Glazed atrium to rear of service deck with concrete upstands beneath.	Fair condition. Isolated spalling of concrete to upstands.	Undertake concrete repair to spalled areas.	3				£250.00		£250.00		
4.2.26	Service Deck B	Glazed bricks to the left side of the sprinkler door.	Fair condition, sections of glazed bricks loose and displaced above opening, damaging concrete soffit above.	Allow to make safe the glazed brickworks and make good the concrete soffit.	1	£280.00							
4.2.27	Service Deck B	Painted metal balustrade to tenant service deck walkway.	Balustrade is in poor condition; it has been impact damaged causing fixings to become loose and displaced.	Allow to re-secure handrail and undertake decoration on a cyclical basis. Additionally, allow to installed Armco barrier to the walkway wall to prevent vehicle impact to the wall and balustrade.	1	£2,500.00							
4.2.28	Service Deck B	Concealed grid suspended ceiling to the recessed area by Units 32 and 33. Asbestos stickers to a number of the tiles.	Fair condition. Condition to be monitored as part of asbestos management plan/surveys,	No works envisaged.									
4.2.29	Service Deck B	Lead flashing by dock leveller stairs.	Lead is in poor condition and in disrepair; lead is split and damaged.	Renew lead flashing detail.	2	£250.00							

4. Maintenance Schedule (fabric)

Item	Element and Location	Description	Condition	Remedial Works Required	Priority	2024 - 2025	2025 - 2026	2026 - 2027	2027 - 2028	2028 - 2029	2029 - 2034	Photo	Comment
4.2.30	Service Deck B	Galvanised metal palisade roller gate to the top of the ramp.	Satisfactory condition.	No works envisaged.									
4.2.31	Service Deck B - Ramp	Concrete ramp with asphalt surfaces and a macadam wearing course and painted concrete walls.	The macadam wearing course is heavily degraded and worn. The condition asphalt surface beneath could not be determined but deterioration is expected due to corrosion of reinforcement and spalling of concrete to the ramps soffit beneath.	Allow to renew asphalt surfacing.	3				£14,685.00				
4.2.32	Service Deck B - Ramp	2no vehicle access barriers sat on metal base.	vehicle barriers are in satisfactory condition. The metal base has been replaced with timber to the entrance side. The base is heavily corroded to the exit side.	Allow to replace corroded base with new. Allow to treat timber base with preservative on a cyclical basis.	3				£600.00				
4.2.33	Service Deck B - Ramp	4no bollards to access barriers.	Overall fair condition. Surface corrosion evident to the base of the bollards.	Allow to treat and redecorate the base of the bollards.	3				£200.00		£200.00		

4. Maintenance Schedule (fabric)

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4.3	**Elevations**												
4.3.1	Elevation 1	Brickwork in stretcher bond to the majority at high level.	Areas of defective and poor pointing to the brickwork.	Rake out and re-point areas of defective pointing.	3				£450.00				
4.3.2	Elevation 1	Rendered section with shopping centre signage to the north corner.	Satisfactory condition. Minor areas of atmospheric soiling evident.	Undertake decoration in the medium to long term.	4						£2,575.00		
4.3.3	Elevation 1	Timber batten and metal soffit details to the base of the brickwork. Tenant's shop front below.	The soffit detail to the base of the brickwork is in poor condition, displaced and missing to sections.	Remove damaged and displaced soffit details and replace with new.	3		£1,730.00						
4.3.4	Elevation 1	Single glazed metal windows with a paint finish.	Fair condition. Soiling evident to finishes.	We understand the tenants are liable for the repair and maintenance of the metal windows, as such no costs are included within the report.									
4.3.5	Elevation 2	Aluminium framed curtain walling system to the atrium / shopping centre entrance.	Satisfactory condition.	No works envisaged.									
4.3.6	Elevation 2	Aluminium framed glazed doorsets.	Satisfactory condition.	No works envisaged.									
4.3.7	Elevation 2	2no painted steel columns to either side of the main entrance.	Fair condition. Poor decoration and surface corrosion to the base of the column.	Undertake decoration on a cyclical basis.	3		£300.00				£300.00		
4.3.8	Elevation 2	Shopping centre signage above ground floor entrance doors.	Damaged signage.	Replace damaged entrance signage.	4	£2,000.00							
4.3.9	Elevation 2	Painted metal railings to balustrade to concourse.	Fair condition.	Undertake decoration on a cyclical basis.	3				£500.00		£500.00		
4.3.10	Elevation 2	Aco drain with plastic covers to the concourse.	Satisfactory condition.	Allow to clean out Aco drains annually.	3	£350.00	£350.00	£350.00	£350.00	£350.00	£350.00		
4.3.11	Elevation 2	Aco drain gulley and rainwater pipes from the concourse adjacent to the steps.	Section of pipe is missing between the downpipe and the gulley outlet.	Replace with new.	2	£150.00							
4.3.12	Elevation 2	Resin bound surface to concourse.	Overall satisfactory condition. Soiling to resin surface.	Allow annual clean of surfaces.	4	£825.00	£825.00	£825.00	£825.00	£825.00	£825.00		
4.3.13	Elevation 2	Aluminium framed double glazed windows.	Satisfactory condition.	No works envisaged.									
4.3.14	Elevation 2	Rendered finish to elevation at high level.	Fair condition. Soiling to render, notably below window openings.	Allow cyclical redecoration of render finishes.	4					£7,800.00			
4.3.15	Elevation 2	Stack bond brickwork to the elevation at low level.	Satisfactory condition.	No works envisaged.									
4.3.16	Elevation 2	Mosaic tile finish to the elevation at low level.	Satisfactory condition.	No works envisaged.									
4.3.17	Elevation 2	Timber fascia and boarding to vacant unit to ground level.	Poor condition, timber fascia is decayed.	Replace decayed timber fascia.	3	£200.00							
4.3.18	Elevation 2	Timber boarding with decorative finishes to right side of the elevation.	Satisfactory condition.	Undertake cyclical redecoration of previously painted surfaces.	3				£150.00		£150.00		
4.3.19	Elevation 2	Concrete soffits above concourse / walkway with decorative finishes.	Satisfactory condition.	Undertake cyclical redecoration of concrete soffit.	4				£1,250.00		£1,250.00		
4.3.20	Elevation 3	Mosaic tile finish to the elevation at high level left side of the elevation.	Poor condition. Sections of the mosaic tiles are displaced and missing, with isolated sections cracked.	Undertake hammer test to remove all loose tiles.	3	£1,500.00					£1,500.00		
4.3.21	Elevation 3	Concrete façade with feature splays to the elevation. decorative finishes to the Market Hall.	Fair condition. Isolated areas of soiling.	Any works would form part of the longer term strategy for the building and shopping centre, as such no costs have been included within the report for the Market Hall.									
4.3.22	Elevation 3	Single glazed metal windows with a paint finish.	Fair condition generally. Corrosion noted to 1no window with corrosion soiling leaching into the decoration finishes below.	Any works would form part of the longer term strategy for the building and shopping centre, as such no costs have been included within the report for the Market Hall.									
4.3.23	Elevation 3	Roller shutter to Market Hall entrance with paint finishes to the frame.	Satisfactory condition.	No works envisaged.									
4.3.24	Elevation 3	Powder coated glazed entrance doors.	Fair condition. 1no glazing pane is damaged and cracked. The powder coated finish has failed exposing the metal surface beneath.	It is assumed that the glazing will be replaced as part on the ongoing reactive maintenance. Allow to redecorate the doors in the short term. Longer term cyclical works not included as these will form part of the long term strategy for the Market Hall.									

4. Maintenance Schedule (fabric)

Item	Element and Location	Description	Condition	Remedial Works Required	Priority	2024 - 2025	2025 - 2026	2026 - 2027	2027 - 2028	2028 - 2029	2029 - 2034	Photo	Comment
4.3.25	Elevation 3	Brick paving's to walkway.	Satisfactory condition.	No works envisaged.									
4.3.26	Elevation 3	Aco drain with plastic covers to the walkway.	Satisfactory condition.	Allow to clean out Aco drains annually.	3	£400.00	£400.00	£400.00	£400.00	£400.00	£400.00		
4.3.27	Elevation 4	Painted concrete façade and soffit above shop fronts.	Fair condition. Soiling to decoration finishes.	Undertake cyclical decoration of previously painted surfaces.	4				£468.00		£468.00		
4.3.28	Elevation 4	Soffits above shop fronts.	Isolated areas of cracked and spalled concrete to the soffit. Additionally, fixings remain from previously removed fittings, signage etc. Fixings are corroding within the soffit.	Allow to undertake concrete repair to soffit and to remove fixings and making good concrete surfaces.	3					£850.00			
4.3.29	Elevation 4	Single glazed metal windows with a paint finish.	Fair condition. Soiling evident to finishes.	Any works would form part of the longer term strategy for the building and shopping centre, as such no costs have been included within the report for the Market Hall.									
4.3.30	Elevation 4	Powder coated aluminium automatic entrance door to the Market Hall.	Satisfactory condition.	No works envisaged.									
4.3.31	Elevation 4	Glazed canopy above shopping centre entrance doors.	Canopy is in satisfactory condition. Lead flashing to canopy is in poor condition; flashing is displaced.	Allow to replace lead flashing.	2	£750.00							
4.3.32	Elevation 4	Brick paving's to walkway.	Overall fair condition. Areas of paving's have been patch repaired with concrete.	Allow to replace patched sections with new.	4					£800.00			
4.3.33	Elevation 4	Aco drain with plastic covers to the walkway.	Satisfactory condition.	Allow to clean out Aco drains annually.	3	£350.00	£350.00	£350.00	£350.00	£350.00	£350.00		
4.3.34	Elevation 5	Stack bond brickwork with painted concrete at high level.	Brickwork is in satisfactory condition with minor efflorescence noted. Painted concrete is in fair condition, isolated vertical cracks noted.	Allow to repair cracks, and undertake decoration to concrete on a cyclical basis.	3		£500.00				£500.00		
4.3.35	Elevation 5	Elevation including 2no metal louvres, metal mesh louvre and 1no access hatch.	Metal mesh louvre and access hatch are corroded, damaged and generally in poor condition.	Allow to replace metal mesh louvre and access hatch.	3				£450.00				
4.3.36	Elevation 5	Metal roller shutter vehicle access door with hanging height restriction bar to the opening.	Fair condition. Surface corrosion to roller shutter tracks and motor casing with poor decoration finishes.	Allow to undertake cyclical redecoration of previously painted surfaces.	3				£300.00		£300.00		
4.3.37	Elevation 5	Concrete structure to flyover walkway.	The concrete soffit to the flyover is in poor condition. Cracking noted to 3no columns, cracking to the soffits and spalled concrete to the soffit exposing the reinforcement.	It could not be confirmed at the time of the survey if the shopping centre is liable for the flyover. Due to the condition and location we have included costs for inspection and repair within the schedule. Allow to undertake structural survey of the flyover with budget cost for associated repairs.	1	£7,500.00							
4.3.38	Elevation 6	Stack bond brickwork with painted concrete at high level.	Brickwork is in satisfactory condition with minor efflorescence noted. Painted concrete is in satisfactory condition.	Undertake decoration to concrete on a cyclical basis.	4				£2,500.00		£2,500.00		
4.3.39	Elevation 6	Service penetrations within brickwork.	Generally poorly filled.	Remove existing filling material and renew, ensuring penetrations are properly filled and weathertight.	3		£200.00						
4.3.40	Elevation 6	Mastic expansion joint between concrete wall to service deck and brickwork to the elevation.	Poor condition. Mastic has failed.	Rake out and renew mastic expansion joint.	3		£200.00						
4.3.41	Elevation 6	Painted yellow gas pipe and casing to right side of the elevation adjacent to the steps by the fire exits.	Surfaces corrosion to the gas pipe and casing.	Allow to treat and undertake cyclical redecoration.	3		£400.00				£400.00		
4.3.42	Elevation 6	Redundant pipework and brackets to east facing section.	Pipework and brackets are redundant.	Remove and make good surfaces.	4					£600.00			
4.3.43	Elevation 6	Painted metal frame ribbon windows. Timber boarding to sections.	Decoration has failed, flaking and generally in poor condition. Timber boarding is decayed and in poor condition.	We understand the tenants are liable for the repair and maintenance of the windows, as such no costs are included within the report.									
4.3.44	Elevation 6	Fan light above double doors within the under croft.	Glazing to fan light is damaged. Timber behind is weathered and exhibiting signs of decay.	Replace glazing to fan light.	1	£600.00							
4.3.45	Elevation 6	Painted timber and metal doorsets to tenant demises.	Doors are in poor condition; decoration finishes are failed and flaking. Various doors are decayed.	We understand the tenants are liable for the repair and maintenance of the doors, as such no costs are included within the report.									

4. Maintenance Schedule (fabric)

Item	Element and Location	Description	Condition	Remedial Works Required	Priority	2024 - 2025	2025 - 2026	2026 - 2027	2027 - 2028	2028 - 2029	2029 - 2034	Photo	Comment
4.3.46	Elevation 6	Powder coated aluminium double doorsets.	Satisfactory condition. Powder coat finishes are faded/chalked.	Allow to undertake cyclical redecoration of the timber doorsets.	4					£1,200.00	£1,200.00		
4.3.47	Elevation 6	Galvanised metal roller shutters doors adjacent to ramp to Service Deck B.	Satisfactory condition.	No works envisaged.									
4.3.48	Elevation 6	Service yard /delivery area with macadam surfaces finishes and thermoplastic lining, road marks etc.	Fair condition. Area has been patched previously and sections of the wearing course are degraded with potholes forming. Thermoplastic linings, road markings etc are faded and worn.	Allow to renew wearing course and lining to the delivery area.	4					£10,275.00	£10,275.00		
4.3.49	Elevation 6	Painted bollards to parking spaces.	Fair condition, paint finishes are weathered. 2no bollards are impact damaged and leaning.	Allow to replace damaged bollards and undertake decoration on a cyclical basis.	3		£1,200.00				£1,200.00		
4.3.50	Elevation 7	Stack bond brickwork with painted concrete above.	Overall satisfactory condition. Isolated areas of defective pointing.	Allow to rake out and renew areas of defective pointing.	3				£450.00				
4.3.51	Elevation 7	Painted metal louvres provided to openings.	Decoration finishes have failed with surface corrosion evident. 1no louvre fin is damaged and requires replacement.	Replace damaged louvre fin, and undertake cyclical decoration allowing to fully prepare and treat corrosion.	2	£550.00					£550.00		
4.3.52	Elevation 7	Painted metal double doorsets.	Decoration finishes have failed, notably to 1no double doorset.	Undertake decoration on a cyclical basis.	3	£300.00					£300.00		
4.3.53	Elevation 7	Painted metal windows with metal mesh security grilled installed externally.	Paint finishes are generally faded with areas flaking; overall in poor condition.	We understand the tenants are liable for the repair and maintenance of the windows, as such no costs are included within the report.									
4.3.54	Elevation 7	Section of elevation inaccessible due to metal security fence and gate restricting access.	Satisfactory condition.	No works envisaged.									
4.3.55	Elevation 7	Macadam path to restricted access area.	Fair condition. Litter and debris build up, and vegetation growth.	Remove build up of litter, debris and vegetation.	4			£100.00			£100.00		
4.3.56	Elevation 8	Brickwork in stretcher bond. Mastic expansion joints at regular intervals.	Brickwork is in satisfactory condition. Isolated mastic expansion joints have been replaced. Remaining expansion joints have hardened and failed.	Allow to rake out and renew defective and failed mastic expansion joints.	3				£650.00				
4.3.57	Elevation 8	Painted single and double metal doorsets to tenant demises.	Doors are in poor condition; decoration finishes have been vandalised and are failed and flaking.	We understand the tenants are liable for the repair and maintenance of the doors, as such no costs are included within the report.									
4.3.58	Elevation 8	Service penetrations to the brickwork including extract vents, louvres, ductworks etc.	Generally fair condition. A number of extract flap vents are damaged. A small number of penetrations do not have a cover installed, instead a wire mesh has been installed to the face of the brickwork.	We understand the tenants are liable for the repair and maintenance of the vents, as such no costs are included within the report.									
4.3.59	Elevation 9	Brickwork walls in a stretcher bond to either side of shopping centre entrance. Render section centrally above entrance with Middleton Grange signage above.	Satisfactory condition.	Allow to undertaken cyclical redecoration of the render.	4					£2,822.00			
4.3.60	Elevation 9	Powder coated aluminium entrance doors with windows/smoke vents above. Doorsets comprise a combination of manual and automatic doors.	Satisfactory condition.	No works envisaged.									
4.3.61	Elevation 9	Painted aluminium framed double glazed windows sat on timber window sill to TJ Hughes	Aluminium windows are in fair condition; paint has failed exposing the original coating beneath. Timber sills are in very poor condition; sills are decayed.	We understand the tenants are liable for the repair and maintenance of the windows, as such no costs are included within the report.									
4.3.62	Elevation 9	Paved external entrance way with ramp and stepped access. Painted metal handrail provided to ramp and steps.	Satisfactory condition.	Allow to undertaken decoration on a cyclical basis	3				£200.00		£200.00		
4.3.63	Elevation 10	Brickwork in a stretcher bond to both the shopping centre and car park.	Cracking to brickwork to right side of bay column of entrance door to car park and 2no stepped cracks at low level to the right side of the elevation.	Replace cracked bricks and stitch cracking, allowing to consultant with structural engineer.	2	£3,250.00							
4.3.64	Elevation 10	Mastic expansion joints to brickwork elevations.	Hardened, cracked and failed expansion joints to the elevation.	Rake out and renew mastic expansion joints.	3		£650.00						

4. Maintenance Schedule (fabric)

Item	Element and Location	Description	Condition	Remedial Works Required	Priority	2024 - 2025	2025 - 2026	2026 - 2027	2027 - 2028	2028 - 2029	2029 - 2034	Photo	Comment
4.3.65	Elevation 10	Powder coated aluminium automatic entrance door to the car park.	Satisfactory condition.	No works envisaged.									
4.3.66	Elevation 10	Painted metal service door/sheeting to door openings.	Fair condition. Paint finishes are in poor condition; paint is flaking, peeling and vandalised exposing the metal beneath.	Allow to undertake cyclical redecoration of metal doors and sheeting.	3	£1,100.00					£1,100.00		
4.3.67	Elevation 10	Metal louvres above service doors/sheeting with paint finishes.	Fair condition. Paint finishes are in poor condition; paint is flaking, peeling and vandalised exposing the metal beneath.	Allow to undertake cyclical redecoration of louvres.	3	£250.00					£250.00		
4.3.68	Elevation 10	2no Xpelair vents to brickwork.	Vent covers are damaged.	Allow to replace covers with new.	3	£150.00							
4.3.69	Elevation 10	2no painted timber louvred double doorsets with timber boarding adjacent (doors labelled 5) to the south east corner of the car park.	1no louvre fin missing. Generally poor decoration with paint failing and flaking. Timber decay due to poor decs. Poor and failed perimeter mastic seal to doors.	Allow to replace missing louvre fin and undertake timber repairs. Undertake decorations on a cyclical basis.	3	£750.00					£750.00		
4.3.70	Elevation 10	Concrete lintel above louvred doors (doors labelled 5).	Lintel is spalled to the left side. General minor cracking to lintel throughout.	Allow to undertake hammer test to lintel. Undertake concrete repair to areas of spalled concrete. (Note - depending on hammer test lintel may need to be replaced)	2	£850.00							
4.3.71	Elevation 11	Brickwork in a stretcher bond to car park with concrete lintels to the car park openings. Middleton Grange shopping centre signage installed at high level to the south east corner	Satisfactory condition.	No works envisaged.									
4.3.72	Elevation 11	Metal frame security mesh to car park openings. decorative finish to metal frame.	Satisfactory condition.	Undertake cyclical decoration to metal frame.	3				£2,750.00		£2,750.00		
4.3.73	Elevation 11	Painted metal and timber single and double doorsets to tenant demises.	Doors are in poor condition; decoration finishes are failed and flaking. Various doors are decayed.	We understand the tenants are liable for the repair and maintenance of the metal doors, as such no costs are included within the report.									
4.3.74	Elevation 11	Lintel above car park opening to left side of the elevation.	Lintel is spalled to the left side.	Undertake concrete repair to lintel.	2	£650.00							
4.3.75	Elevation 11	Painted timber louvred double doorset	1no louvre fin damaged. Poor decs. Decay due to poor decs. Poor and failed perimeter mastic seal to doors.	Allow to replace missing louvre and undertake timber repairs. Undertake decorations on a cyclical basis.	3	£750.00					£750.00		
4.3.76	Elevation 11	Metal louvres installed within brickwork.	Fair condition poor and missing brick detail to metal louvres sited above louvred timber doors.	Allow to replace poor brickwork.	3		£275.00						
4.3.77	Elevation 11	Painted timber double doorset, central to the elevation.	Doors are significantly decayed at low level.	Replace timber double doorset.	2	£1,500.00							
4.3.78	Elevation 11	Metal louvres with paint finish to right side of the elevation.	Decorations are in poor condition; paint has failed and is flaking throughout exposing the metal beneath.	Fully prepare and undertake decoration on a cyclical basis.	3	£850.00					£850.00		
4.3.79	Elevation 12	Brickwork in a stretcher bond to car park with concrete lintels to the car park openings.	Satisfactory condition.	No works envisaged.									
4.3.80	Elevation 12	Metal frame security mesh to car park openings. decorative finish to metal frame.	Satisfactory condition.	Undertake cyclical decoration to metal frame.	3				£1,750.00		£1,750.00		
4.3.81	Elevation 12	Brick slips to the wall above the painted metal louvres but beneath the car park ramp.	Areas of the brick slips are displaced and sections of poor and defective mortar pointing.	Allow to re-fix and replace brick slips as necessary. Rake out and renew areas of defective pointing.	2		£800.00						
4.3.82	Elevation 12	Painted metal louvres at mid - high level.	Louvres are in satisfactory condition. Paint finishes are in poor condition; paint is flaking and exposing metal beneath.	We understand the tenants are liable for the repair and maintenance of the louvres, as such no costs are included within the report.									
4.3.83	Elevation 12	Concrete soffit to service yard with pigeon netting beneath.	Concrete soffit is in satisfactory condition. Holes noted within pigeon netting.	Allow to repair pigeon netting in the short term and replace in the long term.	3		£250.00			£2,000.00			
4.3.84	Elevation 12	Galvanised roller shutter door within the service yard.	Satisfactory condition.	We understand the tenants are liable for the repair and maintenance of the metal doors, as such no costs are included within the report.									

4. Maintenance Schedule (fabric)

Item	Element and Location	Description	Condition	Remedial Works Required	Priority	2024 - 2025	2025 - 2026	2026 - 2027	2027 - 2028	2028 - 2029	2029 - 2034	Photo	Comment
4.3.85	Elevation 12	Dry riser inlet between 2no double door sets to right side of service yard area.	Dry riser inlet door is damaged.	Replace inlet door with new.	2	£500.00							
4.3.86	Elevation 12	Painted single and double metal doorsets to tenant demises.	Doors are in poor condition; decoration finishes have been vandalised and are failed and flaking.	We understand the tenants are liable for the repair and maintenance of the metal doors, as such no costs are included within the report.									
4.3.87	Elevation 12	Single glazed metal framed ribbon windows with decorative finishes.	The metal windows are in poor condition; the paint finishes have failed and are flaking exposing the metal beneath. Isolated doorsets are corroded.	We understand the tenants are liable for the repair and maintenance of the metal windows, as such no costs are included within the report.									
4.3.88	Elevation 12	Concrete service yard including the under croft.	Satisfactory condition.	No works envisaged.									
4.3.89	Elevation 12	Concrete paving to the pathway between elevation 12 and 13.	Overall fair condition. Build-up of algae and lichen to the paving surfaces, vegetation growth between paving slab, and isolated areas of uneven paving.	Allow to lift and re-lay uneven paving slabs, remove vegetation and undertake jet wash clean to paving.	3	£500.00					£500.00		
4.3.90	Elevation 13	Brickwork in stretcher bond to left side and stack bond to right side with painted concrete parapet at high level. Tenant's external air conditioning condensers situated approximately mid-height, above doorsets.	Overall satisfactory condition. Decoration finishes to the concrete are weathered.	Undertake decoration on a cyclical basis.	4				£1,200.00		£1,200.00		
4.3.91	Elevation 13	2no rendered sections below the concrete parapet.	Render to the left side is generally in satisfactory condition. Render to the right side is cracked, vandalised and damaged. The asphalt finishes to the base of the render is slumped, cracked and damaged.	Hack off and renew render to the right side, allow to renew the asphalt finish to the base and repairing the concrete upstand.	2		£1,400.00						
4.3.92	Elevation 13	Single glazed metal framed ribbon windows with decorative finishes to the right side of the elevation	The metal windows are in poor condition; the paint finishes have failed and are flaking exposing the metal beneath. Isolated doorsets are corroded.	We understand the tenants are liable for the repair and maintenance of the metal windows, as such no costs are included within the report.									
4.3.93	Elevation 13	Painted single and double metal doorsets to tenant demises.	Doors are in poor condition; decoration finishes have been vandalised and are failed and flaking.	We understand the tenants are liable for the repair and maintenance of the metal doors, as such no costs are included within the report.									
4.3.94	Elevation 13	Painted single and double metal doorsets to Landlord areas.	Doors vary in condition. Generally decoration finishes are weathered, and require renewal.	Undertake decoration on a cyclical basis.	3		£480.00				£480.00		
4.3.95	Elevation 13	Powder coated aluminium door centrally to the elevation.	Satisfactory condition.	No works envisaged.									
4.3.96	Elevation 13	Galvanised roller shutter door.	Satisfactory condition.	We understand the tenants are liable for the repair and maintenance of the metal doors, as such no costs are included within the report.									
4.3.97	Elevation 13	Ventilation ductwork at high level supported on painted metal brackets.	Corrosion evident to metal brackets.	We understand the tenants are liable for the repair and maintenance of the ductwork / brackets, as such no costs are included within the report.									
4.3.98	Elevation 14	Brickwork in a stack bond. Tenant signage at high level to north and south facing sections.	Satisfactory condition.	No works envisaged.									
4.3.99	Elevation 14	Brick/brick slips above metal window to north facing elevation.	Poor condition, bricks are displaced and distorted above the window.	Allow to carefully remove all loose bricks and replace with new.	2	£650.00							
4.3.100	Elevation 14	Brick/brick slips above single doorset north elevation.	Poor condition. Brick is missing above doorset and generally brickwork appear to be bowing to isolated areas.	Allow to carefully remove all loose bricks and replace with new.	2	£1,000.00							
4.3.101	Elevation 14	Powder coated metal doorset to the recess to the south facing elevation.	Powder coat finish is chipped and damaged.	Allow to fully prepare and decorate the doorset.	3			£600.00			£600.00		
4.3.102	Elevation 14	Concrete step to the recess to the south facing elevation.	Damaged and cracked concrete step.	Undertake repairs to concrete step.	4				£350.00				
4.3.103	Elevation 14	Concrete soffit to recess above doorset to south facing elevation.	Damaged and spalled concrete from fixings, exposing reinforcement.	Allow to undertake concrete repair to soffit.	2		£1,500.00						

4. Maintenance Schedule (fabric)

Item	Element and Location	Description	Condition	Remedial Works Required	Priority	2024 - 2025	2025 - 2026	2026 - 2027	2027 - 2028	2028 - 2029	2029 - 2034	Photo	Comment
4.3.104	Elevation 14	Painted metal lintel to opening for recessed door.	Poor decoration and surface corrosion noted to lintel.	Allow to fully prepare and redecorate the lintel.	3			£100.00			£100.00		
4.3.105	Elevation 14	Painted metal frame single glazed windows.	Decoration to south facing elevation windows is in poor condition; paint has failed and exposed metal beneath. Tenant branding to glazing to east facing elevation.	We understand the tenants are liable for the repair and maintenance of the metal doors, as such no costs are included within the report.									
4.3.106	Elevation 14	Painted metal frame single glazed window below tenant signage to south facing elevation.	Cracked and fractured glazing to window.	We understand the tenants are liable for the repair and maintenance of the metal doors, as such no costs are included within the report.									
4.3.107	Elevation 14	Brickwork in a stretcher bond with tenant signage at high level centrally to east facing elevation.	Satisfactory condition.	No works envisaged.									
4.3.108	Elevation 14	Glazing, curtain walled shop fronts with aluminium clad trim details, and brick slips below the glazing to the north elevation.	Overall satisfactory condition. Section of brick slips missing within central shop front glazing.	Replace missing brick slips.	4	£750.00							
4.3.109	Elevation 14	Lightning protection cable to left side of east facing elevation.	Cable is damaged and has broken.	Allow to replace lightning protection cable and associated fixings etc.	1	£1,500.00							
4.3.110	Elevation 14	Powder coated single doorset to north elevation.	Poor condition, the powdered coat finish has failed. Surface corrosion evident to doorset.	Allow to fully prepare, treat corrosion and decorate the doorset.	3		£150.00				£150.00		
4.3.111	Elevation 15	Brickwork in a stack bond with painted concrete parapet at high level.	Generally satisfactory condition. Isolated areas of poor and defective mortar pointing.	Allow to rake out and renew areas of defective pointing.	3				£450.00				
4.3.112	Elevation 15	Brickwork in a stack bond with painted concrete parapet at high level.	Generally satisfactory condition. Decoration to concrete parapet is weathered.	Undertake decoration on a cyclical basis.	4		£900.00				£900.00		
4.3.113	Elevation 15	Concrete plinth beneath brickwork.	Poor condition, concrete is cracked and damaged with sections spalled.	Allow to remove all cracked, damaged and loose concrete. Undertake concrete repairs to make good and remediate concrete plinth.	2		£300.00						
4.3.114	Elevation 15	Painted metal frame single glazed ribbon windows with netting installed externally.	Decoration to windows is in poor condition; paint has failed and exposed metal beneath.	We understand the tenants are liable for the repair and maintenance of the windows, as such no costs are included within the report.									
4.3.115	Elevation 15	Tenant installed metal louvres and ventilation grilles.	Overall fair condition, 1no vent grilled displaced to the right side.	We understand the tenants are liable for the repair and maintenance of the louvres, as such no costs are included within the report.									
4.3.116	Elevation 15	Wall mounted air conditioning condensers.	Generally fair condition. Corroded drip tray beneath condenser above brown corridor door.	We understand the tenants are liable for the repair and maintenance of the condensers and associated pipework etc, as such no costs are included within the report.									
4.3.117	Elevation 15	Ventilation ductwork at high level supported on painted metal brackets.	Corrosion evident to metal brackets.	We understand the tenants are liable for the repair and maintenance of the ductwork / brackets, as such no costs are included within the report.									
4.3.118	Elevation 15	Doors to tenant demises comprising timber with paint finish. Metal security mesh door fixed externally to 1no doorset. Galvanised metal panel fixed externally to 1no doorset.	Doors vary in condition. Generally decoration finishes are weathered, and require renewal. Isolated areas of timber decay evident notably to the 2no double doorsets to the left side of the elevation.	We understand the tenants are liable for the repair and maintenance of the doors, as such no costs are included within the report.									
4.3.119	Elevation 15	Doors to landlord areas comprise timber doorsets with decorative finishes.	Fair condition. Decoration finishes are weathered and generally require redecoration.	Undertake decoration on a cyclical basis.	3			£150.00			£150.00		
4.3.120	Elevation 15	Metal double doorset with painted louvres above to Northern PowerGrid internal substation.	Corrosion evident to the doorset. Decoration is generally in poor condition; paint is heavily chalked to the doorset with paint flaking to the louvres.	We understand Northern PowerGrid is liable for the repair and maintenance of the doors and louvres, as such no costs are included within the report.									
4.3.121	Elevation 16	Brickwork in a stack bond with painted concrete parapet at high level to the left side.	Generally satisfactory condition. Isolated areas of poor and defective mortar pointing. Decoration to concrete parapet is weathered.	Allow to rake out and renew areas of defective pointing.	3				£450.00				
4.3.122	Elevation 16	Brickwork in a stack bond with painted concrete parapet at high level to the left side.	Evidence of movement / displaced brickwork to left side of shop mobility entrance. Vertical gap / crack to mortar joint to brickwork.	Allow to remove displaced brickwork and stitch back into the main façade, re-pointing localised area on completion.	2	£1,100.00							

4. Maintenance Schedule (fabric)

Item	Element and Location	Description	Condition	Remedial Works Required	Priority	2024 - 2025	2025 - 2026	2026 - 2027	2027 - 2028	2028 - 2029	2029 - 2034	Photo	Comment
4.3.123	Elevation 16	Brickwork in a stack bond with painted concrete parapet at high level to the left side.	Concrete parapet to the left side above the high level ribbon windows is damaged and spalled. Concrete is noted to be on the window sills below and held in place by the netting to the windows.	Allow to temporarily remove the netting and loose concrete debris. Undertake concrete repair to parapet prior to decoration. As part of the repairs undertake hammer tap test to parapet to ensure all loose concrete is removed and repaired as necessary.	1	£800.00							
4.3.124	Elevation 16	Rendered finish to first floor level to the majority of the elevation.	Generally satisfactory condition. Minor areas atmospheric soiling evident. 1no expansion joint has failed.	Allow to rake out and renew the expansion joint in the short term, and undertake decoration in the medium to long term.	3		£500.00			£4,518.00			
4.3.125	Elevation 16	Windows comprise single glazed metal framed ribbon windows at low level. Single glazed metal framed sash windows at high level and a section of glazed brickwork to the shop mobility unit.	Windows are overall in fair condition commensurate with their ages and location. Decoration finishes are also in fair condition.	We understand the tenants are liable for the repair and maintenance of the windows, as such no costs are included within the report.									
4.3.126	Elevation 16	Timber double and single doorsets with paint finishes to tenant demises.	Doors and paint finishes are generally in poor condition. Paint finishes are weathered and flaking. Timber decay noted to both doors and frames.	We understand the tenants are liable for the repair and maintenance of the doors, as such no costs are included within the report.									
4.3.127	Elevation 16	Black and buff coloured quarry tile finishes to the entrance step to the shop mobility unit.	Tiles to the edge of the entrance are in poor condition; tiles are displaced, chipped and damaged. Remaining tiles are in fair condition.	It is unclear whether the entrance step forms part of the tenant's demise or if the landlord is responsible for the repair and maintenance of the entrance step. As such, we have allowed costs to replace damaged, missing and loose tiles with new.	3		£250.00						
4.3.128	Elevation 16	Ventilation ductwork at supported on painted metal brackets. Box ductwork with paint finishes above under croft entrance.	Significant corrosion evident to box ductwork .	We understand the tenants are liable for the repair and maintenance of the ductwork / brackets, as such no costs are included within the report.									
4.3.129	Elevation 17	Ground floor level is a combination of brickwork in a stack bond, painted concrete frame at high level, painted concrete plinth at low level and shop frontages comprising mosaic tile windows, uPVC doors and windows, and assumed glazing with large advertisements adhered externally.	Fair condition. A number of mosaic tiles have been displaced.	Allow to undertake hammer test to remove loose tiles.	2		£450.00						
4.3.130	Elevation 17	First floor level comprises a render finish with shopping centre signage located to the under croft.	Satisfactory condition. Minor areas atmospheric soiling evident.	Undertake decoration in the medium to long term.	4					£5,800.00			
4.3.131	Elevation 17	Single glazed painted metal framed windows located at first floor level.	Windows are overall in fair condition commensurate with their ages and location. Decoration finishes are also in fair condition.	We understand the tenants are liable for the repair and maintenance of the windows, as such no costs are included within the report.									
4.3.132	Elevation 17	The under croft comprises brickwork walls and shop fronts, paved walkways and a combination of painted concrete soffits and uPVC panel suspended ceiling with recessed services.	Overall fair condition. Isolated uPVC panels are damaged / vandalised.	Allow to remove uPVC cladding panels or replace with new.	3			£8,325.00					
4.3.133	Elevation 17	Aluminium framed glazed doorsets provided to the under croft entrance.	Satisfactory condition.	No works envisaged.									
4.3.134	Elevation 18	Binns Unit - Not to be included within the PPM											
4.3.135	Elevation 19	Brickwork in stretcher bond to the majoirty of the elevation.	Areas of defective and poor pointing to the brickwork.	Rake out and re-point areas of defective pointing.	3				£450.00				
4.3.136	Elevation 19	Rendered section with shopping centre signage above shopping centre entrance and to the corner of elevation 19 and elevation 1.	Satisfactory condition. Minor areas atmospheric soiling evident.	Undertake decoration in the medium to long term.	4					£2,575.00			

4. Maintenance Schedule (fabric)

Item	Element and Location	Description	Condition	Remedial Works Required	Priority	2024 - 2025	2025 - 2026	2026 - 2027	2027 - 2028	2028 - 2029	2029 - 2034	Photo	Comment
4.3.137	Elevation 19	Timber batten and metal soffit details to the base of the brickwork. Tenant's shop front below.	The soffit details to the base of the brickwork is in poor condition, displaced and missing to sections.	Remove damaged and displaced soffit details and replace with new.	3		£1,445.00						
4.3.138	Elevation 19	Aluminium framed glazed doorsets.	Satisfactory condition.	No works envisaged.									
4.4	**Carpark**												
4.4.1	Concrete frame and structural deck with asphalt and reinforced liquid applied coating to surface decks.	Vegetation located sporadically throughout the whole of the carpark	Poor condition. There are large amounts of vegetation growth across the whole of the top floor of the car park.	Remove all vegetation that is present and make good any damages caused.	2		£5,000.00						
4.4.2	Asphalt with reinforced liquid applied coating to surface decks.	Cracks and damage to asphalt	Very poor condition. Areas of the liquid applied coating have been patched. Cracking and damage to both the asphalt and coating throughout allowing water to penetrate below. Asphalt upstands are slumped, cracked and damaged. Water has gathered between the coating and asphalt to the upstands to the ramp from the upper deck.	Allow to remove coating, repair asphalt, and renew coating finish.	2		£150,000.00						
4.4.3	Asphalt with reinforced liquid applied coating to surface decks.	Failed mastic joints on upstands	Poor condition. Mastic joints have failed.	Remove failed mastic joints and replace with new	2		£15,000.00						
4.4.4	Asphalt with reinforced liquid applied coating to surface decks.	Radflex rubber roof covers present across all of expansion joints	Poor condition. Water is pooling in many areas of the multistorey carpark.	Remove all Radflex rubber expansion joints, clean and repair.	2		£15,000.00						
4.4.5	Asphalt with reinforced liquid applied coating to surface decks.	There is retained water present in upstand on the ramp between levels three and four	Poor condition. There is movement of the upstand when pressure is applied water leaks out.	Remove upstand and replace with new to prevent water ingress.	2		Inc						
4.4.6	Roofs to stairwells	Rooflight and soffit to the north stairwell.	Poor condition. The rooflight is damaged along with the surrounding soffit.	Replace rooflight and repair the soffit.	2	£7,500.00							
4.4.7	Roofs to stairwells	Roof covering to the east and north stairwell	Poor condition. Signs of water ingress through the roof covering suggesting a defect.	The roof is in poor condition with signs of water ingress. Allow to recover the roof.	2		£25,000.00						
4.4.8	Car park drainage	Drainage through the whole of the car park	Poor condition. There are large areas of standing water present in the car park due to blocked drains.	Clean out drains leaving clear, undertaken necessary repairs and leave free flowing.	2	£4,000.00				£4,000.00	£4,000.00		
	External Section Sub-Total					£82,745.00	£247,935.00	£309,769.00	£119,378.00	£46,415.00	£157,487.00		

4. Maintenance Schedule (fabric)

Item	Element and Location	Description	Condition	Remedial Works Required	Priority	2024 - 2025	2025 - 2026	2026 - 2027	2027 - 2028	2028 - 2029	2029 - 2034	Photo	Comment
	Internal												
4.5	**Corridors**												
4.5.1	**Gold Corridor**												
4.5.1.1	Ceiling	A combination of precast and cast in-situ in concrete, and beam and block construction.	Satisfactory condition.	No works envisaged.									
4.5.1.2	Ceiling	Exposed RAAC Panels forming structural roof deck. Rooflight installed within structural ceiling.	We understand the RAAC has been assessed as part of a separate scheme, and would be categorised as a Red rating due to the areas of water ingress and cut panels.	The RAAC panels should be supported in the short term. Any permanent repairs will form part of the long term strategy for the centre. We understand this will be undertaken as part of a separate project, as such we have not included any costs within this report.									
4.5.1.3	Walls	Brickwork and blockwork walls with paint finishes.	Satisfactory condition.	Undertake decoration on a cyclical basis.	4						£8,150.00		
4.5.1.4	Doors	Single and double timber fire doorsets with vision panels, doors closers etc. Doorsets have a paint finish.	Satisfactory condition.	Undertake decoration on a cyclical basis.	4						£1,750.00		
4.5.1.5	Floors	Concrete floor with painted floor finish.	Concrete is in fair condition, with minor cracking present. Paintwork is in poor condition; paint finishes are heavily worn and soiled.	Allow to repair cracks and undertake decoration on a cyclical basis.	3				£5,000.00				
4.5.1.6	Stair	Concrete staircase with painted floor finishes including painted contrasting nosings.	Satisfactory condition.	Undertake decoration on a cyclical basis.	4						£600.00		
4.5.1.7	Stair	Metal painted balustrade with PVC handrail.	PVC to handrail is heavily worn and split at the joints.	Allow to repair/replace PVC covering to balustrade.	3				£1,000.00				
4.5.1.8	Stair	Metal painted balustrade with PVC handrail.	Metal balustrade is in satisfactory condition.	Undertake decoration on a cyclical basis.	4						£2,350.00		
4.5.2	**Red Corridor**												
4.5.2.1	Ceiling	A combination of precast and cast in-situ in concrete, and beam and block construction.	Satisfactory condition.	No works envisaged.									
4.5.2.2	Ceiling	Second floor - Section of plaster with decorative finish by Unit 11B	Poor condition. Isolated areas of damaged plasterwork and defective paintwork.	Repair the plaster and redecorate.	2	£400.00							
4.5.2.3	Walls	Brickwork and blockwork walls with paint finishes.	Satisfactory condition.	Undertake decoration on a cyclical basis.	4				£7,250.00				
4.5.2.4	Doors	Single and double timber fire doorsets with vision panels, doors closers etc. Doorsets have a paint finish.	Satisfactory condition.	Undertake decoration on a cyclical basis.	4					£2,000.00			
4.5.2.5	Floors	Concrete floor with painted floor finish.	Concrete is in fair condition, with minor cracking present. Paintwork is in poor condition; paint finishes are heavily worn and soiled.	Allow to repair cracks and undertake decoration on a cyclical basis.	3				£3,350.00				
4.5.2.6	Floors	Ground Floor - Section of terrazzo floor at the end of the corridor. Terrazzo has previously received a paint finish.	Fair condition. Minor areas of cracking. Paint finish is heavily worn and in poor condition.	Allow to repair cracks. Decoration included in item above.	3				£200.00				
4.5.2.7	Stair	Concrete staircase with painted floor finishes including painted contrasting nosings.	Satisfactory condition.	Undertake decoration on a cyclical basis.	4						£750.00		
4.5.2.8	Stair	Metal painted balustrade with PVC handrail.	PVC to handrail is heavily worn and split at the joints.	Allow to repair/replace PVC covering to balustrade.	3				£500.00				
4.5.2.9	Stair	Metal painted balustrade with PVC handrail.	Metal balustrade is in satisfactory condition.	Undertake decoration on a cyclical basis.	4				£1,200.00				

4. Maintenance Schedule (fabric)

Item	Element and Location	Description	Condition	Remedial Works Required	Priority	2024 - 2025	2025 - 2026	2026 - 2027	2027 - 2028	2028 - 2029	2029 - 2034	Photo	Comment
4.5.3	**Black Corridor**												
4.5.3.1	Ceiling	Level 2 entrance lobby -Plaster skim with paint finish.	Fair condition, areas of cracked plaster and poor decoration finishes. Suspended ceiling has been previously removed by trim remains to the perimeter.	Allow to undertake plaster repairs, remove redundant ceiling fixtures and redecorate.	2	£275.00							
4.5.3.2	Ceiling	Concrete structural soffit with decorative finishes to the stairwell. Timber boarding to structural opening assumed from previously removed access hatch / rooflight.	Concrete and decoration finishes are in satisfactory condition.	Undertake decoration on a cyclical basis.	4						£1,450.00		
4.5.3.3	Ceiling	Concrete structural soffit with decorative finishes to the stairwell. Timber boarding to structural opening assumed from previously removed access hatch / rooflight.	Timber boarding is water damaged.	Allow to undertake further investigation to review the condition from the roof. Cost included to replace damaged timber and renew waterproof covering.	2		£1,500.00						
4.5.3.4	Walls	Level 2 entrance lobby - Painted plaster up to the previously suspended ceiling line with blockwork above.	Fair condition overall. Isolated damaged adjacent to the external door to the service deck.	Allow to undertake plaster repairs and redecorate.	2			£1,750.00					
4.5.3.5	Walls	Painted solid brickwork walls with associated firestopping.	Satisfactory condition.	Undertake decoration on a cyclical basis.	4						£750.00		
4.5.3.6	Doors	Timber fire doorsets with vision panels, doors closers etc. Doorsets have a paint finish.	Satisfactory condition.	Undertake decoration on a cyclical basis.	4						£320.00		
4.5.3.7	Floors	Level 2 entrance lobby - Vinyl tile floor covering	Poor condition. Many of the tiles near the entrance from the service deck have been damaged.	Replace damaged vinyl floor tiles.	2	£425.00							
4.5.3.8	Stair	Concrete staircase with painted floor finishes including painted contrasting nosings.	Satisfactory condition.	Undertake decoration on a cyclical basis.	4						£175.00		
4.5.3.9	Stair	Metal painted balustrade with PVC handrail.	PVC to handrail is heavily worn and split at the joints.	Allow to repair/replace PVC covering to balustrade.	3		£500.00						
4.5.3.10	Stair	Metal painted balustrade with PVC handrail.	Metal balustrade is in satisfactory condition.	Undertake decoration on a cyclical basis.	4						£1,200.00		
4.5.4	**Yellow Corridor**												
4.5.4.1	Ceiling	Exposed RAAC Panels forming structural roof deck. Rooflight installed within structural ceiling.	We understand the RAAC has been assessed as part of a separate scheme, and would be categorised as a Red rating due to the areas of water ingress and cut panels.	The RAAC panels should be supported in the short term. Any permanent repairs will form part of the long term strategy for the centre. We understand this will be undertaken as part of a separate project, as such we have not included any costs within this report.									
4.5.4.2	Ceiling	Plaster skim with decorative finishes.	Fair condition overall. Areas of damaged plaster and decoration from water ingress.	Any works would form part of the longer term strategy for the building and shopping centre, as such no costs have been included within the report for the Market Hall.									
4.5.4.3	Walls	Plaster skim with decorative finishes.	Fair condition overall. Areas of damaged plaster and decoration from water ingress.	Any works would form part of the longer term strategy for the building and shopping centre, as such no costs have been included within the report for the Market Hall.									
4.5.4.4	Doors	Painted metal fire doorsets.	Fair condition. Paintwork is generally in poor condition.	Any works would form part of the longer term strategy for the building and shopping centre, as such no costs have been included within the report for the Market Hall.									
4.5.4.5	Floors	Concrete floor with paint finishes	Fair condition overall. Minor cracking present through areas. Paintwork is heavily worn and soiled.	Any works would form part of the longer term strategy for the building and shopping centre, as such no costs have been included within the report for the Market Hall.									
4.5.4.6	Stair	Concrete staircase with painted floor finishes including painted contrasting nosings.	Satisfactory condition.	Any works would form part of the longer term strategy for the building and shopping centre, as such no costs have been included within the report for the Market Hall.									

4. Maintenance Schedule (fabric)

Item	Element and Location	Description	Condition	Remedial Works Required	Priority	2024 - 2025	2025 - 2026	2026 - 2027	2027 - 2028	2028 - 2029	2029 - 2034	Photo	Comment
4.5.4.7	Stair	Metal painted balustrade and handrail.	Metal balustrades are in fair condition. Paint finishes are in poor condition; paint is deteriorated, worn and flaking.	Any works would form part of the longer term strategy for the building and shopping centre, as such no costs have been included within the report for the Market Hall.									
4.5.5	**Blue Corridor**												
4.5.5.1	Ceiling	Exposed concrete structural soffits.	Overall, in good condition. Evidence of water ingress outside Unit 185, assumed for defective rainwater pipe, and damaged concrete soffit.	Investigate and repair pipe , make good any damage to concrete soffits.	2		£1,800.00						
4.5.5.2	Ceiling	Entrance lobby from the service deck (Level One) - bird netting installed below the concrete structural soffit.	Poor condition; holes within the netting.	Replace the netting with new.	2	£450.00							
4.5.5.3	Walls	Exposed brickwork and blockwork walls.	Satisfactory condition.	No works envisaged.									
4.5.5.4	Walls	Level One - Plasterboard and plaster skim with decorative finishes.	Fair condition. Minor scuffs present on the plasterwork. Small area of cracking around Zone 4 door 41.	Repair cracking and undertake decoration on a cyclical basis.	4					£7,500.00			
4.5.5.5	Doors	Timber fire doorsets with vision panels, doors closers etc. Doorsets have a paint finish.	Satisfactory condition.	Undertake decoration on a cyclical basis.	4						£1,600.00		
4.5.5.6	Floors	Concrete floor with paint finishes	Concrete is in fair condition with isolated minor cracking. Paintwork is heavily worn and soiled, and overall in poor condition.	Undertake decoration on a cyclical basis.	4				£2,950.00				
4.5.5.7	Stair	Concrete staircase with painted floor finishes including painted contrasting nosings.	Satisfactory condition.	Undertake decoration on a cyclical basis.	4						£750.00		
4.5.5.8	Stair	Concrete wall to stairwell half landing between ground and first floor.	Poor condition. Evidence of water ingress across the wall with isolated areas of spalled concrete.	Allow for investigation in to the water ingress, remove spalled concrete, undertake concrete repair.	2	£5,000.00							
4.5.5.9	Stair	Metal painted balustrade with PVC handrail.	PVC to handrail is heavily worn and split at the joints.	Allow to repair/replace PVC covering to balustrade.	3				£500.00				
4.5.5.10	Stair	Metal painted balustrade with PVC handrail.	Metal balustrade is in satisfactory condition.	Undertake decoration on a cyclical basis.	4				£1,200.00				
4.5.6	**Maroon Corridor**												
4.5.6.1	Ceiling	Combination of exposed concrete structural soffit.	Satisfactory condition.	No works envisaged.									
4.5.6.2	Walls	Combination of exposed brickwork in a stack bond and exposed blockwork.	Satisfactory condition.	No works envisaged.									
4.5.6.3	Doors	Timber fire doorsets with vision panels, doors closers etc. Doorsets have a paint finish.	Satisfactory condition. Tenant fire exit door is in poor condition; external face is damaged.	Undertake decoration to Landlord doors on a cyclical basis.	3					£1,600.00			
4.5.6.4	Floors	Exposed concrete floor.	Satisfactory condition.	No works envisaged.									
4.5.6.5	Floors	Section of ceramic heavy duty tiles.	Satisfactory condition.	Undertake deep clean on a cyclical basis.	4				£250.00		£250.00		
4.5.6.6	Floors	Internal ACO drainage channel present.	Poor condition; blocked and unable to drain	Remove all debris, maintain on a cyclical basis	2	£200.00					£200.00		

4. Maintenance Schedule (fabric)

Item	Element and Location	Description	Condition	Remedial Works Required	Priority	2024 - 2025	2025 - 2026	2026 - 2027	2027 - 2028	2028 - 2029	2029 - 2034	Photo	Comment
4.5.7	**Green Corridor**												
4.5.7.1	Ceiling	Concrete and plasterboard both with decorative finishes.	Satisfactory condition.	Undertake decoration on a cyclical basis.	3					£11,850.00			
4.5.7.2	Walls	Combination of blockwork and plasterboard with paint finishes.	Satisfactory condition.	Undertake decoration on a cyclical basis.	3					£3,125.00			
4.5.7.3	Doors	Timber fire doorsets with vision panels, doors closers etc. Doorsets have a paint finish.	Satisfactory condition.	Undertake decoration on a cyclical basis.	3					£640.00			
4.5.7.4	Floors	Concrete floor with paint finishes	Fair condition overall. Minor cracking present through areas. Paintwork is heavily worn and soiled.	Undertake decoration on a cyclical basis.	4					£2,050.00			
4.5.8	**Brown Corridor**												
4.5.8.1	Ceiling	Concrete structural soffit.	Satisfactory condition.	No works envisaged.									
4.5.8.2	Walls	Exposed brickwork and concrete pillars.	Satisfactory condition.	No works envisaged.									
4.5.8.3	Doors	Timber fire doorsets with vision panels, doors closers etc. Doorsets have a paint finish.	Satisfactory condition.	Undertake decoration on a cyclical basis.	4						£80.00		
4.5.8.4	Floors	Concrete floor with paint finishes.	Fair condition overall. Minor cracking present through areas. Paintwork is heavily worn and soiled.	Undertake decoration on a cyclical basis.	3					£1,150.00			
4.5.9	**White Corridor**												
4.5.9.1	Ceiling	Plasterboard with decorative finishes.	Fair condition. Sign of damp and water ingress near internal door.	Investigate water ingress repair damages and redecorate.	3					£798.00			
4.5.9.2	Walls	Painted solid brickwork walls with associated firestopping.	Satisfactory condition.	Undertake decoration on a cyclical basis.	3					£2,750.00			
4.5.9.3	Doors	Timber fire doorsets with vision panels, doors closers etc. Doorsets have a paint finish.	Satisfactory condition.	Undertake decoration on a cyclical basis.	3					£480.00			
4.5.9.4	Floors	Vinyl sheet floor covering.	Fair condition. Isolated areas of the vinyl flooring, have been damaged.	Repair the damaged areas of the vinyl flooring and allow to replace in the long term.	3		£1,500.00				£5,000.00		
4.5.10	**Pink Corridor**												
4.5.10.1	Ceiling	Concrete structural soffit.	Satisfactory condition.	No works envisaged.									
4.5.10.2	Walls	Blockwork walls, small area with decorative finishes.	Satisfactory condition.	Undertake decoration on a cyclical basis.	4				£1,500.00				
4.5.10.3	Doors	Timber fire doorsets with vision panels, doors closers etc. Doorsets have a paint finish.	Satisfactory condition.	Undertake decoration on a cyclical basis.	4				£240.00				
4.5.10.4	Floors	Concrete floor with paint finishes	Fair condition overall. Minor cracking present through areas. Paintwork is heavily worn and soiled.	Undertake decoration on a cyclical basis.	3				£725.00				
4.5.10.5	Floors	Section of ceramic tiles near internal doors.	Satisfactory condition.	Clean on a cyclical basis.	3				£250.00		£250.00		

4. Maintenance Schedule (fabric)

Item	Element and Location	Description	Condition	Remedial Works Required	Priority	2024 - 2025	2025 - 2026	2026 - 2027	2027 - 2028	2028 - 2029	2029 - 2034	Photo	Comment
4.5.11	**Lime Corridor (Located externally)**												
4.5.11.1	Walls	Brickwork in a combination of stack and stretcher bonds with decorated concrete parapet above.	Satisfactory condition. There is minor soiling above doors. Section of brickwork above the opening appears to the been re-built/replaced.	Undertake decoration on a cyclical basis.	4				£2,100.00				
4.5.11.2	Walls	Windows comprise single glazed metal framed ribbon windows with decorative finishes.	Windows are in poor condition; the paint finishes have failed are flaking and a number of metal sills are impact damaged.	We understand the tenants are liable for the repair and maintenance of the metal windows, as such no costs are included within the report.									
4.5.11.3	Doors	Metal entrance doors from the public areas. Timber exit doors from tenant demises.	Satisfactory condition.	Redecorate on a cyclical basis.	4				£560.00				
4.5.11.4	Floors	Concrete paving slabs.	Poor condition. Uneven and areas that are very soiled and damaged.	Replace damaged paving slabs and allow to deep clean to existing slabs.	2		£950.00				£950.00		
4.5.12	**Magnolia Corridor**												
4.5.12.1	Ceiling	Exposed concrete structural soffits.	Fair condition. 2no holes (1no to ground, 1no to first floor).	Fill and make good holes, ensuring they're adequately fire stopped.	2	£1,200.00							
4.5.12.2	Ceiling	Floor 3 - corrugated galvanised steel soffit.	Satisfactory condition.	No works envisaged.									
4.5.12.3	Walls	Exposed brickwork and blockwork.	Satisfactory condition.	No works envisaged.									
4.5.12.4	Walls	Plasterboard and plaster skim with decorative finishes to isolated sections of walls.	Plasterboard is in satisfactory condition. Section of plaster to the upper floor is damaged. Paintwork, notably, to the top of the staircase is flaking and in poor condition.	Repair and redecorate on a cyclical basis.	4				£8,000.00				
4.5.12.5	Walls	Floor 3 - Combination of PVCu shiplap cladding and blockwork.	Satisfactory condition.	No works envisaged.									
4.5.12.6	Floors	Generally vinyl flooring throughout. Areas of exposed concrete to sections of corridors to upper levels.	Satisfactory condition.	Replace on a cyclical basis	4						£5,325.00		
4.5.12.7	Floors	Floor 3 - painted asphalt to plant room area.	Satisfactory condition.	Undertake decoration on a cyclical basis.	4						£850.00		
4.5.13	**Orange Corridor**												
4.5.13.1	Ceiling	Concrete structural soffit, with an area of waffle slab construction.	Satisfactory condition.	No works envisaged.									
4.5.13.2	Walls	Combination of exposed blockwork, brickwork and concrete.	Satisfactory condition overall. Crack to infill blockwork to right-hand side of the delivery doors.	Monitor the crack and undertake necessary repairs.	3				£3,500.00				
4.5.13.3	Doors	Timber fire doorsets with vision panels, doors closers etc. Doorsets have a paint finish.	Satisfactory condition.	Undertake decoration on a cyclical basis.	4						£320.00		
4.5.13.4	Floors	Trapdoor on the ground floor of orange corridor.	Unknown, no access to the trapdoor.	Gain access to this area and inspect.	1	£1,500.00							
4.5.13.5	Floors	Combination of terrazzo, concrete floor and stairs with paint finishes	Fair condition overall. Minor cracking present through areas. Paintwork is heavily worn and soiled to corridor areas.	Undertake decoration on a cyclical basis.	3				£1,380.00				

4. Maintenance Schedule (fabric)

Item	Element and Location	Description	Condition	Remedial Works Required	Priority	2024 - 2025	2025 - 2026	2026 - 2027	2027 - 2028	2028 - 2029	2029 - 2034	Photo	Comment
4.5.14	**Purple Corridor**												
4.5.14.1	Ceiling	Concrete structural soffit.	Satisfactory condition.	No works envisaged.									
4.5.14.2	Walls	Combination of painted brick and blockwork with appropriate fire stopping.	Satisfactory condition.	Undertake decoration on a cyclical basis.	4					£1,725.00			
4.5.14.3	Doors	Timber fire doorsets with vision panels, doors closers etc. Doorsets have a paint finish.	Satisfactory condition.	Undertake decoration on a cyclical basis.	3		£100.00						
4.5.14.4	Floors	Concrete floor with paint finishes	Fair condition overall. Minor cracking present through areas. Paintwork is heavily worn and soiled.	Undertake decoration on a cyclical basis.	3				£665.00				
4.5.15	**Aqua marine Corridor**												
4.5.15.1	Ceiling	Painted plaster ceiling throughout the whole of aqua marine corridor.	Very poor condition. Extensive water ingress and associated damage to all elements. Area is currently out of use due to the extent of the disrepair.	Water ingress appears to be related to the car park surfacing. Investigate cause, remediate and undertake full refurbishment of the areas.	1	£45,000.00							
4.5.15.2	Walls	Painted plaster walls throughout the whole of aqua marine corridor.	Very poor condition. Extensive water ingress and associated damage to all elements. Area is currently out of use due to the extent of the disrepair.	Costs included in item 4.2.15.1	1	Inc							
4.5.15.3	Doors	Timber doors	Very poor condition. Extensive water ingress and associated damage to all elements. Area is currently out of use due to the extent of the disrepair.	Costs included in item 4.2.15.1	1	Inc							
4.5.15.4	Floors	Combination of concrete, painted concrete and carpet tile floor finishes.	Very poor condition. Extensive water ingress and associated damage to all elements. Area is currently out of use due to the extent of the disrepair.	Costs included in item 4.2.15.1	1	Inc							
4.6	**Management office**												
4.6.1	**Meeting Room**												
4.6.1.1	Ceiling	Suspended ceiling with mineral fibre tiles, recessed lights, air conditioning and access hatches	Satisfactory condition.	No works envisaged.									
4.6.1.2	Walls	Plasterboard with skim and decorative finishes.	Satisfactory condition.	Undertake decoration on a cyclical basis.	4				£625.00				
4.6.1.3	Doors	Timber doors with varnish finish	Satisfactory condition.	Undertake decoration on a cyclical basis.	4				£80.00				
4.6.1.4	Floors	Vinyl tile floor covering.	Satisfactory condition.	No works envisaged.									
4.6.2	**Kitchen**												
4.6.2.1	Ceiling	Plaster skim with decorative finishes beneath RAAC panel roof structure.	We understand the RAAC has been assessed as part of a separate scheme, and would be categorised as a Red rating due to the cut panels (visible from the roof, boarded/filled when viewed from beneath.	The RAAC panels should be supported in the short term. Any permanent repairs will form part of the long term strategy for the centre. We understand this will be undertaken as part of a separate project, as such we have not included any costs within this report.									
4.6.2.2	Walls	Plasterboard with decorative finishes.	Satisfactory condition.	Undertake decoration on a cyclical basis.	4				£320.00				
4.6.2.3	Doors	Timber varnished door.	Satisfactory condition.	Undertake decoration on a cyclical basis.	4				£80.00				
4.6.2.4	Floors	Vinyl sheet floor covering.	Satisfactory condition.	Replace on a cyclical basis.	4						£355.00		
4.6.2.5		Laminate faced based and wall units with tiled splashback, right hand drainer stainless steel sink and breakfast bar.	Satisfactory condition.	No works envisaged.									

4. Maintenance Schedule (fabric)

Item	Element and Location	Description	Condition	Remedial Works Required	Priority	2024 - 2025	2025 - 2026	2026 - 2027	2027 - 2028	2028 - 2029	2029 - 2034	Photo	Comment
4.6.3	**W/C**												
4.6.3.1	Ceiling	Plaster skim with decorative finishes beneath RAAC panel roof structure.	We understand the RAAC has been assessed as part of a separate scheme, and would be categorised as a Red rating due to the cut panels (visible from the roof, boarded/filled when viewed from beneath.	The RAAC panels should be supported in the short term. Any permanent repairs will form part of the long term strategy for the centre. We understand this will be undertaken as part of a separate project, as such we have not included any costs within this report.									
4.6.3.2	Walls	Ceramic tiles to the full height of the walls.	Satisfactory condition.	No works envisaged.									
4.6.3.3	Doors	Timber varnished doors	Satisfactory condition.	Undertake decoration on a cyclical basis.	4				£320.00				
4.6.3.4	Floors	Vinyl tile floor covering.	Satisfactory condition.	Replace on a cyclical basis.	4						£375.00		
4.6.3.5	Sanitaryware	Vitreous China WC and wash hand basin.	Satisfactory condition.	Replace on a cyclical basis.	4						£1,200.00		
4.6.4	**Stairwell**												
4.6.4.1	Ceiling	Plaster skim with decorative finishes beneath RAAC panel roof structure.	We understand the RAAC has been assessed as part of a separate scheme, and would be categorised as a Red rating due to the cut panels (visible from the roof, boarded/filled when viewed from beneath.	The RAAC panels should be supported in the short term. Any permanent repairs will form part of the long term strategy for the centre. We understand this will be undertaken as part of a separate project, as such we have not included any costs within this report.									
4.6.4.2	Walls	Painted plaster finish covers the walls of the stairwell.	Satisfactory condition.	Undertake decoration on a cyclical basis.	4				£400.00				
4.6.4.3	Doors	Timber varnished doors	Satisfactory condition.	Undertake decoration on a cyclical basis.	4				£80.00				
4.6.4.4	Floors	Vinyl tile floor covering.	Satisfactory condition.	Replace on a cyclical basis.	4						£225.00		
4.6.5	**Office**												
4.6.5.1	Ceiling	Plaster skim with decorative finishes beneath RAAC panel roof structure.	We understand the RAAC has been assessed as part of a separate scheme, and would be categorised as a Red rating due to the cut panels (visible from the roof, boarded/filled when viewed from beneath.	The RAAC panels should be supported in the short term. Any permanent repairs will form part of the long term strategy for the centre. We understand this will be undertaken as part of a separate project, as such we have not included any costs within this report.									
4.6.5.2	Walls	Plasterboard with wallpaper finish.	Satisfactory condition.	Undertake decoration on a cyclical basis.	4				£2,025.00				
4.6.5.3	Doors	Timber varnished doors	Satisfactory condition.	Undertake decoration on a cyclical basis.	4				£320.00				
4.6.5.4	Floors	Carpet tiles sized 600 x 600 cover the floor area	Satisfactory condition.	Allow for replacement for carpet tile floor coverings.	4					£2,195.00			
4.6.6	**Glass Conservatory**												
4.6.6.1	Ceiling	Powder coated aluminium frame glazed conservatory ceiling.	Satisfactory condition.	No works envisaged.									
4.6.6.2	Walls	Powder coated aluminium frame glazed conservatory walls.	Satisfactory condition.	No works envisaged.									
4.6.6.3	Doors	Metal framed doors with large glass viewports	Satisfactory condition.	Undertake decoration on a cyclical basis.	4				£320.00				
4.6.6.4	Floors	Vinyl flooring covering.	Satisfactory condition.	Replace on a cyclical basis.	4				£260.00				
4.6.7	**Security Office**												
4.6.7.1	Ceiling	Plaster skim with decorative finishes beneath RAAC panel roof structure.	We understand the RAAC has been assessed as part of a separate scheme, and would be categorised as a Red rating due to the cut panels (visible from the roof, boarded/filled when viewed from beneath.	The RAAC panels should be supported in the short term. Any permanent repairs will form part of the long term strategy for the centre. We understand this will be undertaken as part of a separate project, as such we have not included any costs within this report.									
4.6.7.2	Walls	Painted plaster finish covers the walls of the office.	Satisfactory condition.	Undertake decoration on a cyclical basis.	4				£715.00				
4.6.7.3	Doors	Timber varnished doors	Satisfactory condition.	Undertake decoration on a cyclical basis.	4				£400.00				
4.6.7.4	Floors	Carpet tiles sized 600 x 600 cover the floor area	Satisfactory condition.	Allow for replacement for carpet tile floor coverings.	4						£1,075.00		

4. Maintenance Schedule (fabric)

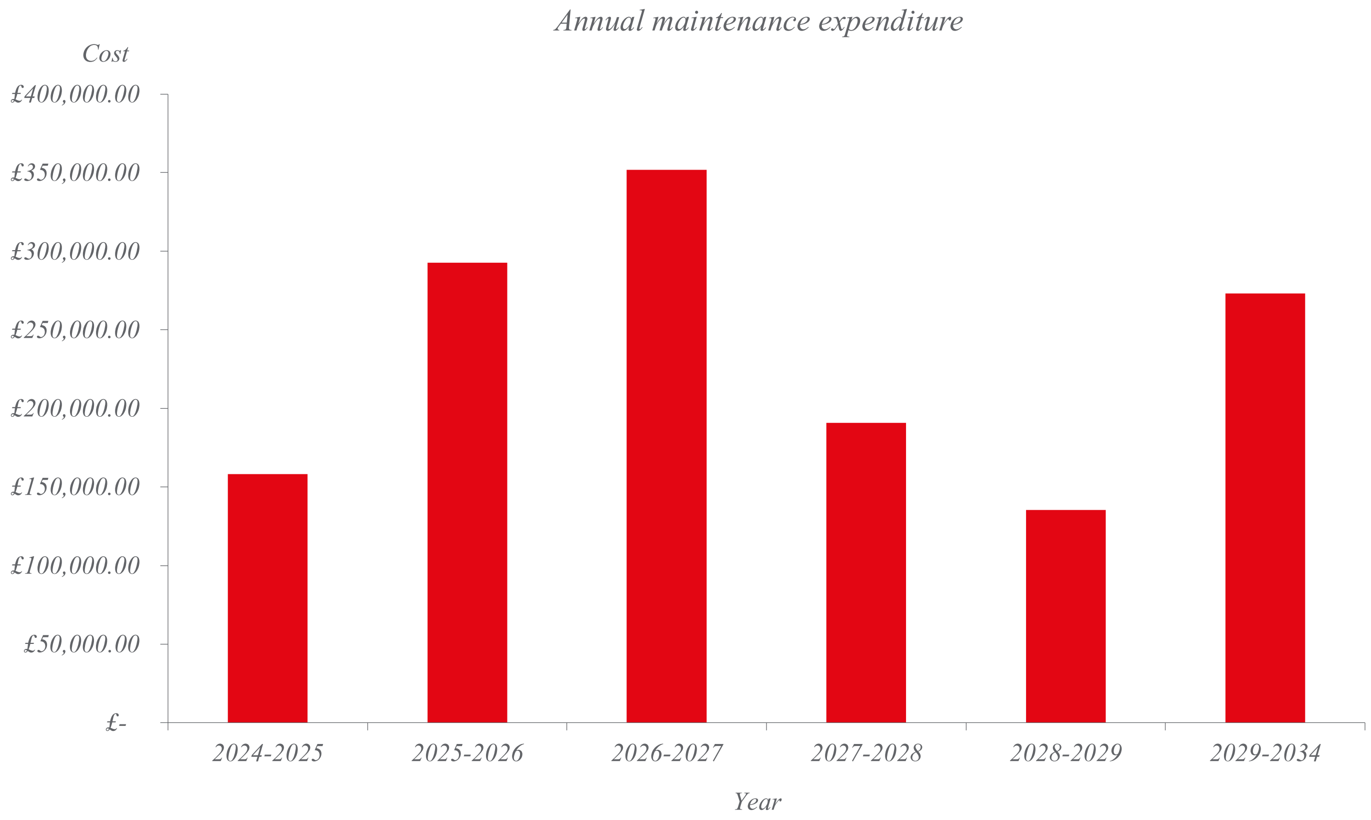
Item	Element and Location	Description	Condition	Remedial Works Required	Priority	2024 - 2025	2025 - 2026	2026 - 2027	2027 - 2028	2028 - 2029	2029 - 2034	Photo	Comment
4.7	**Main Shopping Centre**												
4.7.1	**Main Shopping Centre Mall**												
4.7.1.1	Ceiling	600mm x 600m metal grid perforated tile suspended ceiling to the majority the main shopping centre.	Fair condition. The structure itself is in good condition however, the tiles are begrimed.	Undertake cleaning of the perforated tiles on a cyclical basis and allow for replacement of isolated damaged tiles.	2					£8,250.00	£8,250.00		
4.7.1.2	Ceiling	Sections of plasterboard with painted plaster finishes.	Satisfactory condition.	Undertake decoration on a cyclical basis.	3					£7,500.00			
4.7.1.3	Ceiling	Steel structure forming the main atrium framework.	Satisfactory condition.	Undertake cleaning on a cyclical basis.	3					£5,000.00	£3,000.00		
4.7.1.4	Ceiling	Plaster painted ceiling by York Place.	Poor condition. With staining across many areas of the ceiling.	Investigate the cause of the water ingress and repair.	2	£2,500.00							
4.7.1.5	Walls	High levels of main shopping centre ceiling.	Satisfactory condition.	High level cleaning required on a cyclical basis.	2					£4,000.00	£4,000.00		
4.7.1.6	Walls	Aluminium framed glazed shop frontages.	Satisfactory condition.	No works envisaged.									
4.7.1.7	Walls	Painted plaster columns between the shop fronts.	Satisfactory condition.	Undertake decoration on a cyclical basis.	3		£2,500.00			£2,500.00	£2,500.00		
4.7.1.8	Walls	Glass balustrade with a wooden handle and metal fixings.	Satisfactory condition.	No works envisaged.									
4.7.1.9	Doors	Automatic 60-minute fire doors to compartmentalise the shopping centre.	Satisfactory condition.	No works envisaged.									
4.7.1.10	Floors	Ceramic tiles are present through most of the shopping centre.	Fair condition. There are many cracked and broken tiles throughout the shopping centre.	Allowance for ad-hoc replacement of cracked and damaged tiles.	2	£1,500.00	£1,500.00	£1,500.00	£1,500.00	£1,500.00	£1,500.00		
4.7.1.11	Floors	Barrier matting to entrances.	Satisfactory condition.	Allow for replacement of barrier matting.	3					£4,800.00			
4.7.1.12	Floors	Vinyl floor covering within passenger lifts.	Satisfactory condition.	Allow for replacement of vinyl floor coverings.	3					£1,000.00			
4.7.2	**Main Shopping Centre Toilets including male, female and accessible**												
4.7.2.1	Ceiling	600mm x 600m concealed grid suspended ceiling in all WC areas.	Satisfactory condition.	No works envisaged.									
4.7.2.2	Walls	Ceramic tiles in toilets from floor to ceiling height.	Satisfactory condition.	Clean on a cyclical basis, and allow for refurbishment in the long term.	2		£1,000.00			£1,000.00	£8,000.00		
4.7.2.3	Doors	Timber fire doorsets with vision panels, doors closers etc. Doorsets have a paint finish.	Satisfactory condition.	Undertake decoration on a cyclical basis.	4						£320.00		
4.7.2.4	Floors	600mm x 600mm ceramic tiles in all WC spaces.	Satisfactory condition.	Clean on a cyclical basis, and allow for refurbishment in the long term.	2		£1,000.00			£1,000.00	£7,000.00		
4.7.2.5	Sanitaryware	Vitreous China WC and wash hand basin.	Satisfactory condition.	Allow for replacement in the long term.	4						£10,000.00		
	Internal Section Sub-Total					£58,450.00	£12,350.00	£3,250.00	£49,765.00	£74,413.00	£80,870.00		
	Total Works					£141,195.00	£260,285.00	£313,019.00	£169,143.00	£120,828.00	£238,357.00		

6. Cost Summary

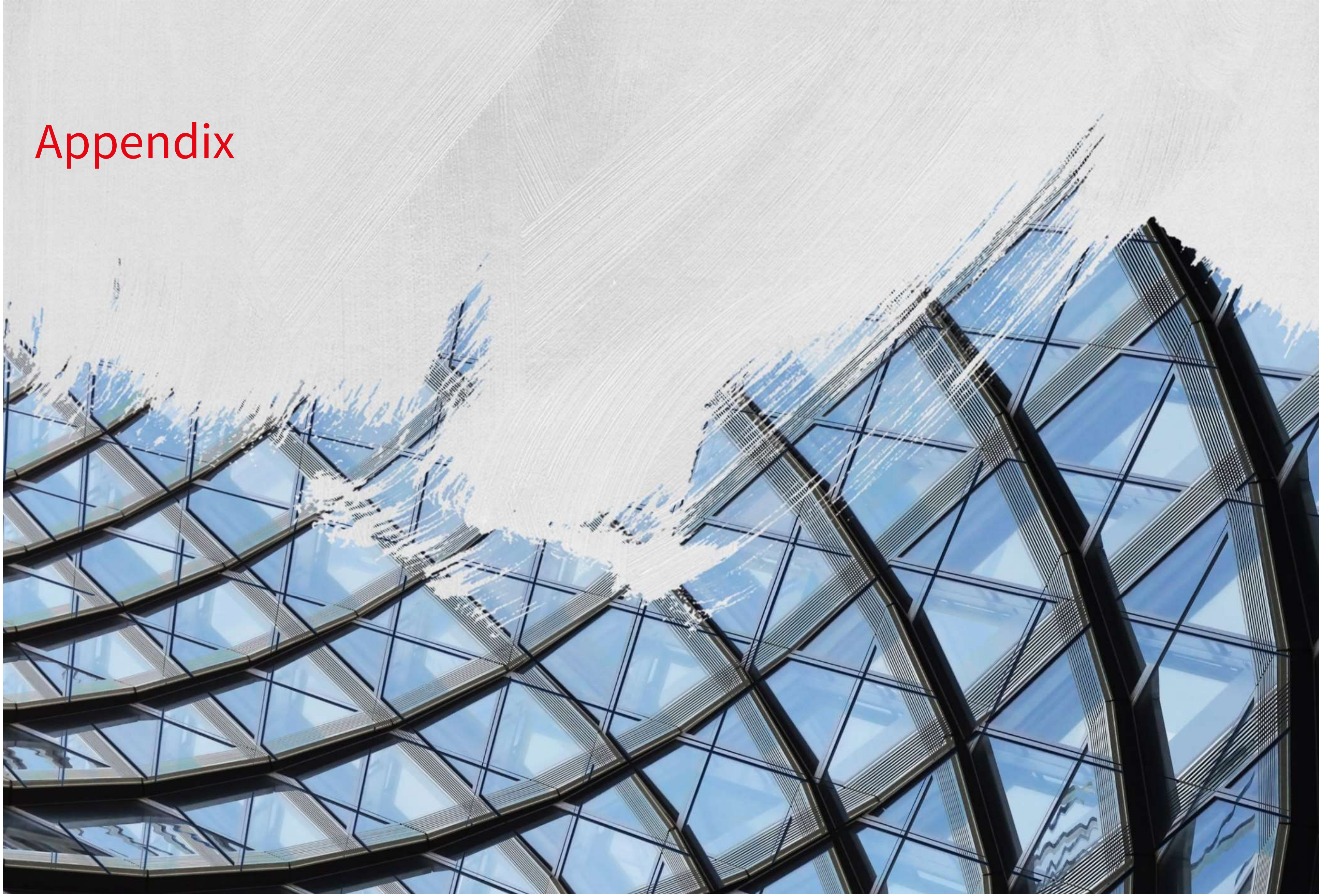
1	2	3	4	5	6	7	8	9	10
				2024-2025	**2025-2026**	**2026-2027**	**2027-2028**	**2028-2029**	**2029-2034**
6.1	**Total Works (fabric)**			141,195.00	260,285.00	313,019.00	169,143.00	120,828.00	238,357.00
	TOTAL WORKS			£ 141,195.00	£ 260,285.00	£ 313,019.00	£ 169,143.00	£ 120,828.00	£ 238,357.00
6.3	**Contract Administration Fees**			14,119.50	26,028.50	31,301.90	16,914.30	12,082.80	23,835.70
				10%	10%	10%	10%	10%	10%
6.4	**Principal Designer**			2,823.90	5,205.70	6,260.38	3,382.86	2,416.56	4,767.14
				2%	2%	2%	2%	2%	2%
6.5	**Specialist Consultant fees**								
6.6	**Building Control**				£ 1,250.00	£ 1,250.00	£ 1,250.00		£ 6,250.00
	TOTAL FEES			£ 16,943.40	£ 32,484.20	£ 38,812.28	£ 21,547.16	£ 14,499.36	£ 34,852.84
	TOTAL COSTS			£ 158,138.40	£ 292,769.20	£ 351,831.28	£ 190,690.16	£ 135,327.36	£ 273,209.84

All figures exclude VAT

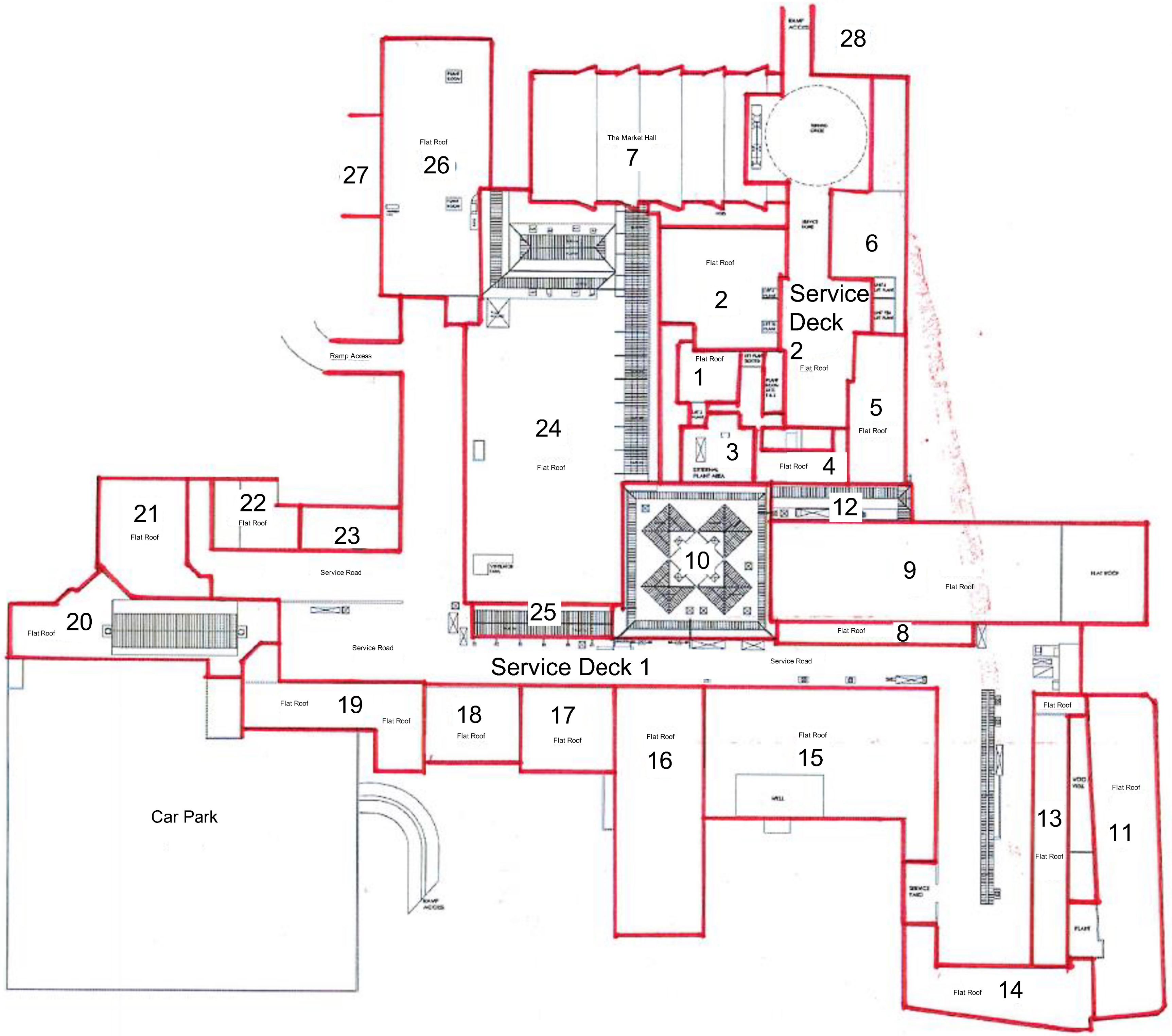
7. Expenditure Graph



Appendix



Appendix 1 – Reference Plan



Rev	Description

Client
Mars Pension Trustees Limited

Project
Hartlepool
Middleton Grange Shopping Centre

Date	By	Chck'd

Scale
1:1250

Date
November 2023

By
AY

Checked

Description
Labled
Roof Plan

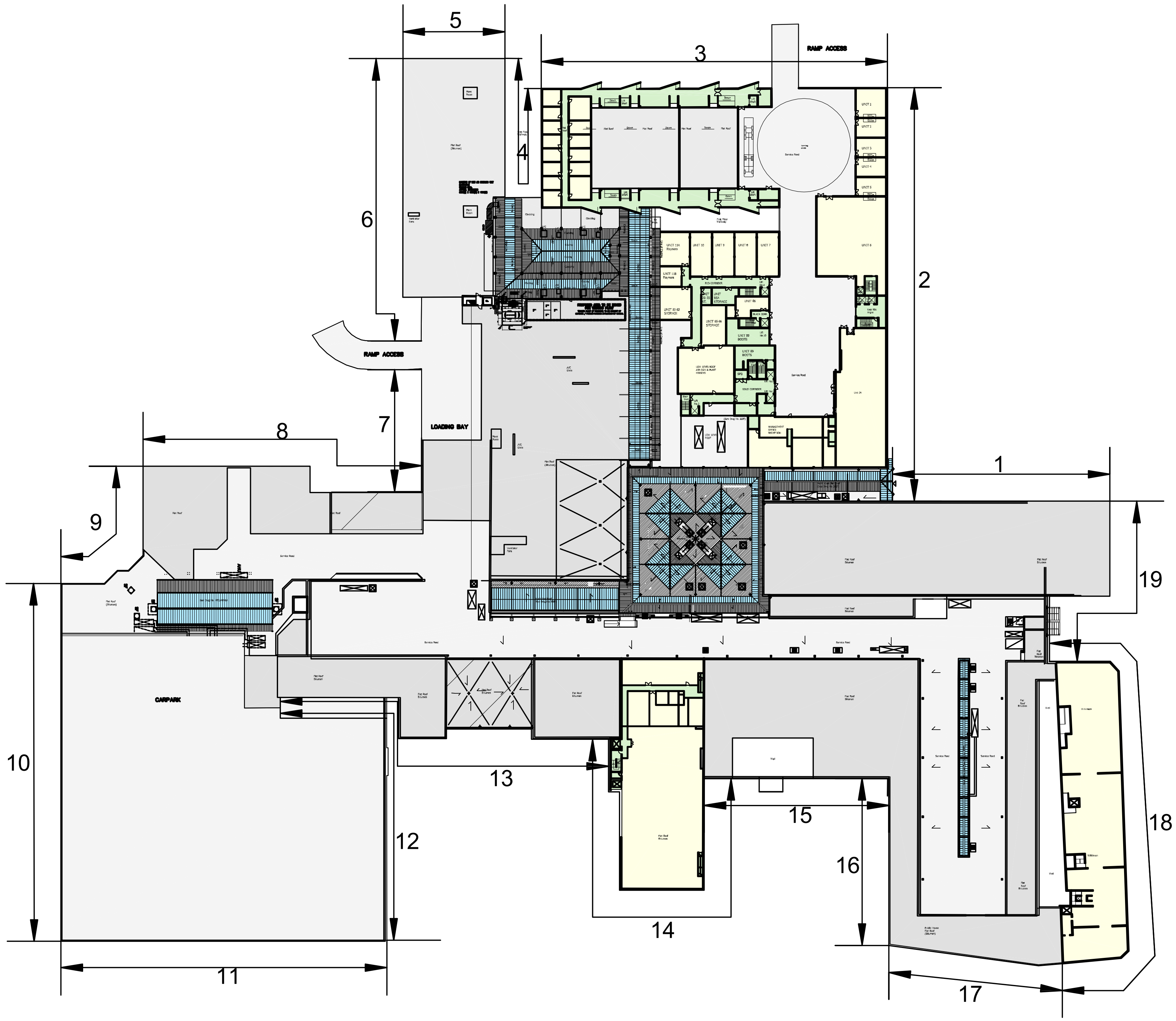
City Point
29 King Street
Leeds LS1 2HL
+44 (0)113 244 6440
jll.co.uk/leeds

Job
23104

Drg
03

rev

DO NOT SCALE THIS DRAWING. CHECK ALL DIMENSIONS ON SITE



Rev	Description	Date	By	Chck'd

Client
Mars Pension Trustees Limited

Scale
1:1250

Project
Hartlepool
Middleton Grange Shopping Centre

Date
November 2023

By
AY

Checked

Description
Numbered
Elevation Plan

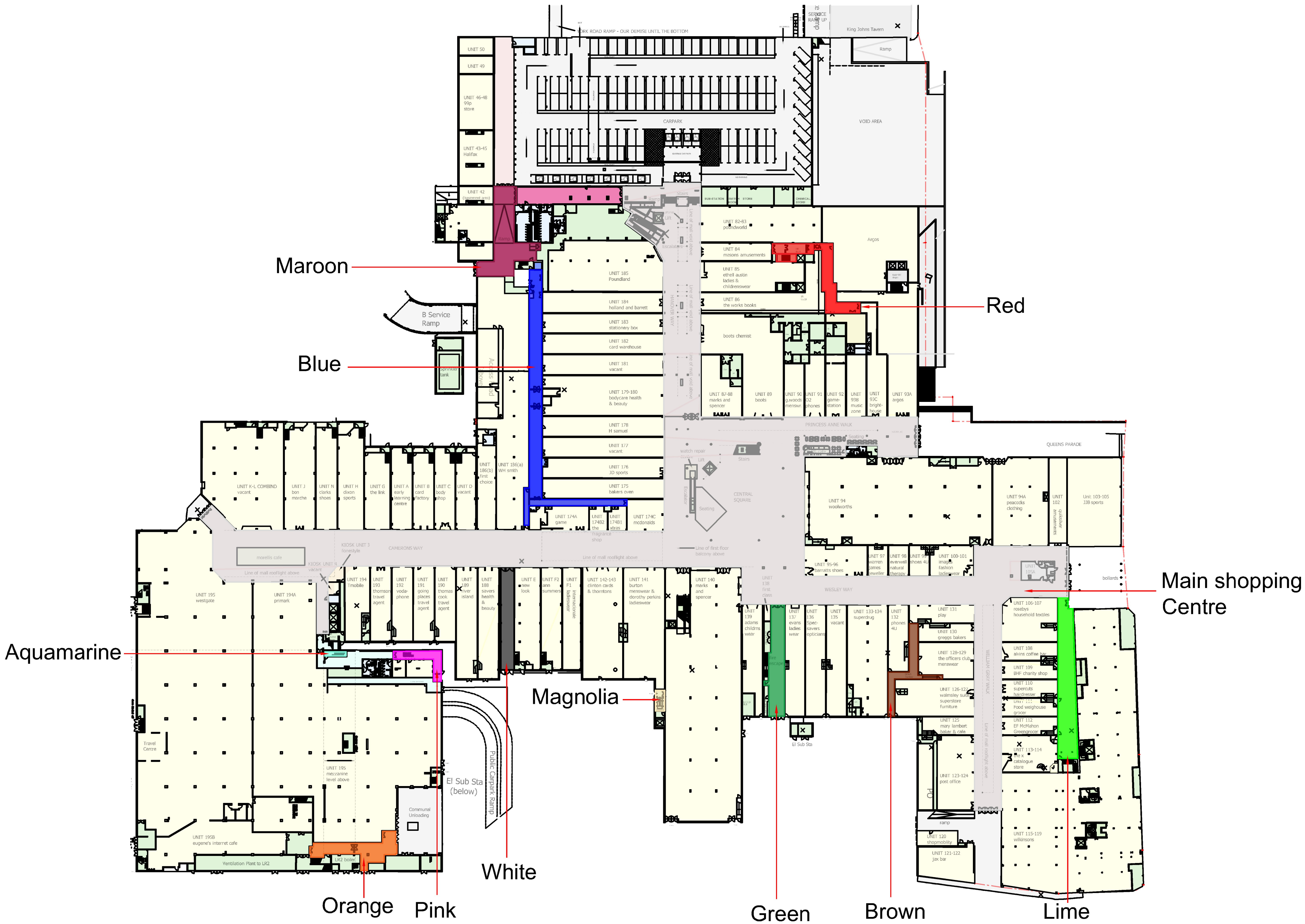
City Point
29 King Street
Leeds LS1 2HL
+44 (0)113 244 6440
jll.co.uk/leeds

Job
23104

Drg
01

rev

DO NOT SCALE THIS DRAWING. CHECK ALL DIMENSIONS ON SITE



Rev	Description	Date	By	Chck'd

Client	Mars Pension Trustees limited
Project	Hartlepool Middleton Grange Shoppng Centre
Scale	1:1250
Date	November 2023
By	AY
Checked	
Description	Labled Ground Floor Corridor Plan
Job	23104
Drg	02
rev	

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City Point
29 King Street
Leeds LS1 2HL
+44 (0)113 244 6440
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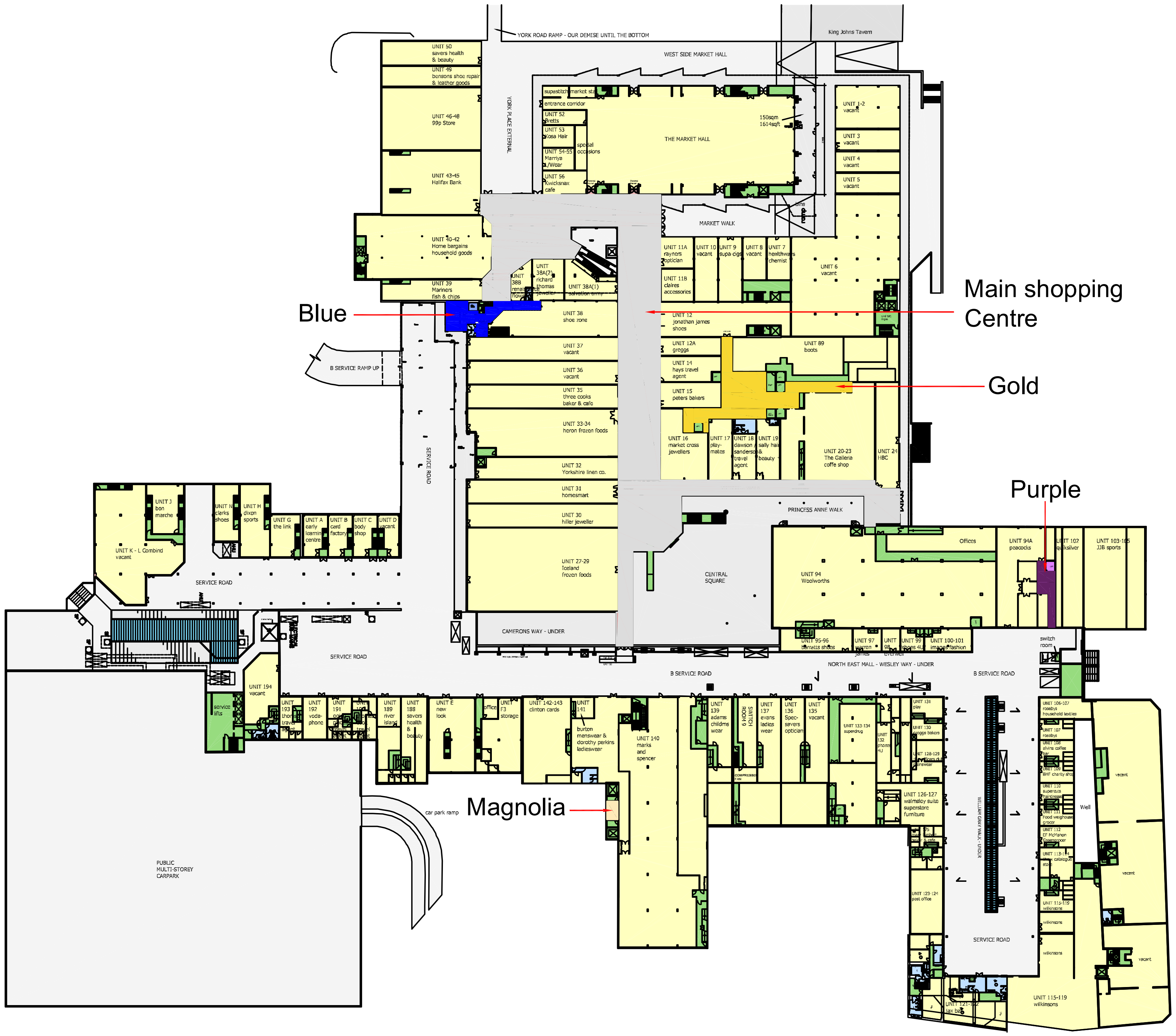

Rev Description	Date By Chck'd
Client: Mars Pension Trustees Limited	Scale: 1:1250
Project: Hartlepool Middleton Grange Shopping Centre	Date: November 2023
	By: AY / Checked

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City Point
29 King Street
Leeds LS1 2HL
+44 (0)113 244 6440
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Description: Labled First Floor Corridor Plan

Job: 23104

Drg: 03 rev

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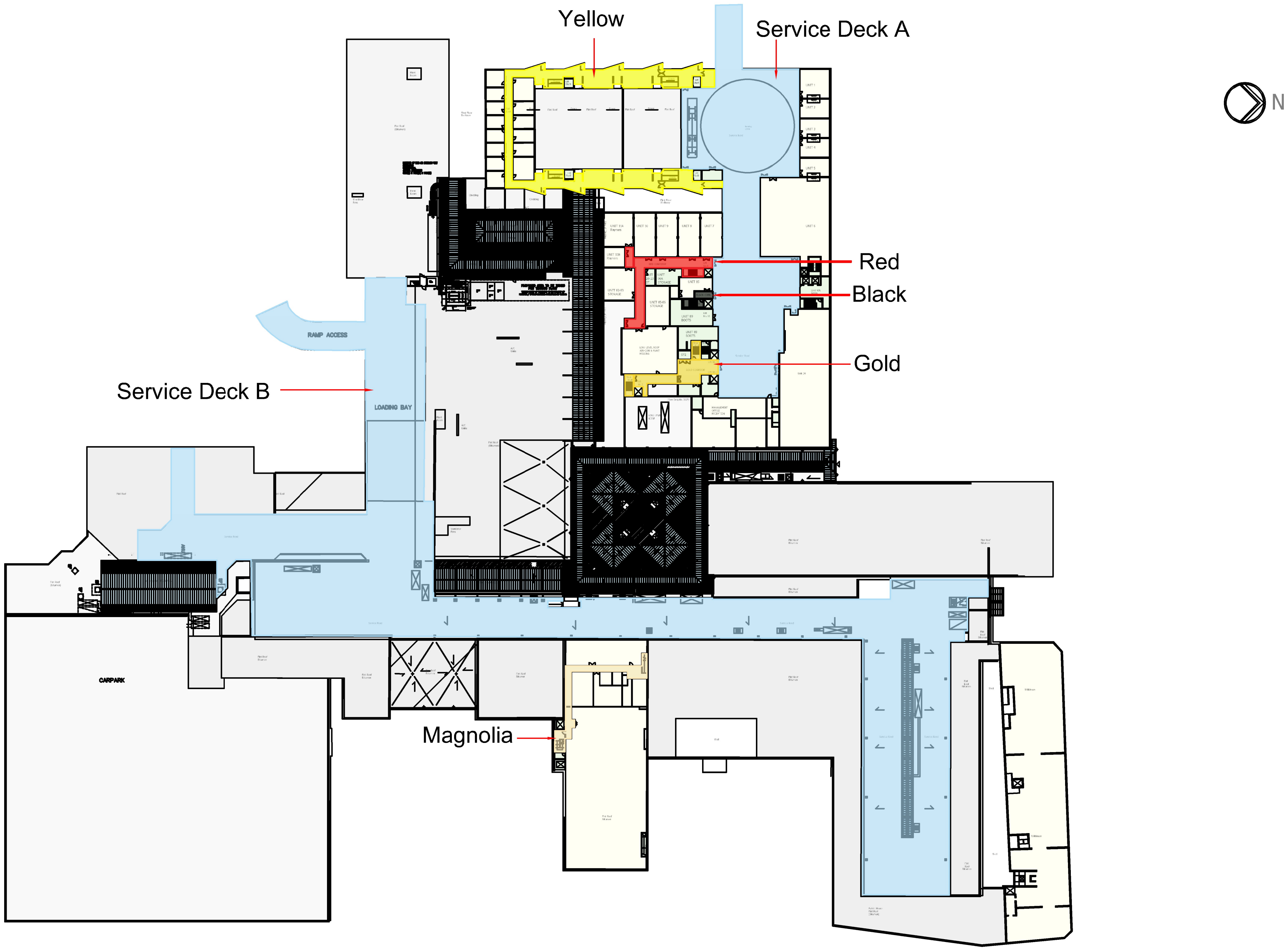

Rev Description		Date	By	Chck'd

Client	Mars Pension Trustees Limited
Project	Hartlepool Middleton Grange Shopping Centre
Scale	1:1250
Date	November 2023
By	AY
Checked	
Description	Labled Roof Floor Corridor Plan
Job	23104
Drg	03
rev	

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Contract Input Sheet

Cost Class	Cost Category	A/C Code Description	A/C Code	Contract / Work Description	Purchase Order Number	Note	Previous	Current	Sch 1	Sch 2	Sch 3	Sch 4	Sch 5	Sch 6	Sch 7	Sch 8	Sch 9	Sch 10	Sch 11	Sch 12	Sch 13	Sch 14	Sch 15	Sch 16	Sch 17	Sch 18	Sch 19	Sch 20
							Year End 31-Mar-2024	Year End 31-Mar-2025	Schedule 1	Schedule 2	Schedule 3 Market Hall Budget	Schedule 4 Market Hall contribution	Schedule 5 - HBC contribution car parks	Schedule 6 ATM contribution	Name 7	Name 8	Name 9	Name 10	Name 11	Name 12	Name 13	Name 14	Name 15	Name 16	Name 17	Name 18	Name 19	Name 20
Management	Management fees	Management Fees	5101101	Owner's or manager's fees for managing and administering the services that are permitted to be recovered under the terms of the lease, excluding rent collection, asset management, etc.	Sched 1-62.9% Sched 2 - 37.1%	Jones Lang LaSalle Management Fee J	£ 218,228.05	£ 226,074.00	£ 142,200.55	£ 83,873.45																		
Management	Accounting fees	Service charge accounting fees	5101201	Fees for preparation of year-end service charge statement and reconciliation.	Sched 1-62.9% Sched 2 - 37.1%	BDO Fee	£ 4,158.00	£ 4,158.00	£ 2,615.38	£ 1,542.62																		
Management	Site management resources	Staff costs	5101301	Direct employment or contract costs for provision of staff for management of on-site facilities.	Sched 1-72.9% Sched 2 - 27.1%	Total JLL staffing from salaries sheet £ NOM £ JLL Conf £	£ 255,000.00	£ 270,299.00	£ 197,048.00	£ 73,251.00																		
Management	Site management resources	Site accommodation (rent/rates)	5101303	Rent, service charge and rates associated with the site-management accommodation.	Sched 2 -100%	Business Rates for L/L Accommodation Management Suite and Workshop	£ 6,700.00	£ 6,700.00		£ 6,700.00																		
Management	Site management resources	Office costs (telephones/stationery)	5101304	Day-to-day running costs of the on-site management office.	Sched 1-100%	Telephones - Lifts usage £1200 Lifts telephones line rental - £2,143 Telephone system hire £1,630 Stationery and Photocopier and printer consumables £2,400 Photocopier ITVET £2,099	£ 8,500.00	£ 9,472.00	£ 9,472.00																			
Management	Site management resources	Systems	5101314	Costs of computer licences, pedestrian flow counting systems etc. and other systems.	Sched 1-100%	Leased line £4,600 IT Support and Equipment Contract (£10,900) On Brand £3,500 Footfall £12,200 Messaging £183.75 per month – billed quarterly Music £42.08 per Month – billed quarterly Royalty Free £65.83 per month – billed annually	£ 31,800.00	£ 34,699.62	£ 34,699.62																			
Management	Professional fees	Landlord's risk assessments, audits and reviews	5101401	Consultancy fees and other costs associated with provision and review of owner's health and safety (H&S) management systems.	Sched 1- 62.9% Sched 2 - 37.1%	Annual Glazing Survey £2,970 Bi-Annual Tree Survey £800	£ -	£ 3,770.00	£ 2,371.33	£ 1,398.67																		
Management	Professional fees	Landlord's risk assessments, audits and reviews	5101401	Consultancy fees and other costs associated with provision and review of owner's health and safety (H&S) management systems.	Sched 1- 62.9% Sched 2 - 37.1%	CCTV Audit Verifi	£ 1,243.00	£ 1,347.00	£ 847.26	£ 499.74																		
Management	Professional fees	Landlord's risk assessments, audits and reviews	5101401	Consultancy fees and other costs associated with provision and review of owner's health and safety (H&S) management systems.	Sched 1- 62.9% Sched 2 - 37.1%	General Risk Assessment - £2,245 + VAT Environmental Audit - £425+ VAT Fire Risk Assessment - £2,245 + VAT Water Hygiene Risk Assessment - £1,780 + VAT Asbestos Review - £1,240 + VAT	£ 7,800.00	£ 7,935.00	£ 4,991.12	£ 2,943.89																		
Management	Professional fees	Landlord's risk assessments, audits and reviews	5101401	Consultancy fees and other costs associated with provision and review of owner's health and safety (H&S) management systems.	Sched 1- 62.9% Sched 2 - 37.1%	JLL Workplace Risk and Resilience £	£ 2,470.00	£ -																				
Utilities	Electricity	Electricity	5102101	Electricity supply to common part and retained areas and central plant, excluding the direct consumption of occupier(s).	Sched 2 - 100%	Centre Electricity Supplies	£ 177,500.00	£ 185,000.00		£ 185,000.00																		
Utilities	Electricity	Electricity	5102101	Electricity supply to common part and retained areas and central plant, excluding the direct consumption of occupier(s).	Sched 2 - 100%	1)HH MOP 4 Meters @ £179/mpan p.a. = £716.00 p.a. 2)HH DCDA 11 Meters @ £185/mpan p.a. = £2035 p.a NB DCDA will be charged via the supply contract billing and not direct unless supplier neglect to charge at which point Stark would issue an invoice. 3)NHH MOP DCDA 1 meter @ £109/mpan p.a. = £109 p.a. 4)Gas AMR 3 Meters @ £162/mpan p.a. = £486 p.a Attachment 2: Mars Pensions Trustees Ltd (Middleton Grange SC) - Submetering Renewal Quote QN34313 5)Sub Metering 37 Meters @ £90/mpan p.a. = £3330 p.a. Attachment 3: Mars Pensions Trustees Ltd - Middleton Grange Sub metering Maintenance Agreement QN34430 6)Sub Metering maintenance 4 days p.a. @ £1800 p.a.	£ 8,000.00	£ 8,240.00		£ 8,240.00																		
Utilities	Electricity	Electricity	5102101	Electricity supply to common part and retained areas and central plant, excluding the direct consumption of occupier(s).	Sched 2 - 100%	Stark call outs to faulty meters	£ 1,000.00	£ 1,050.00		£ 1,050.00																		
Utilities	Gas	Gas	5102201	Gas supply for the owner's central plant, excluding the direct consumption of occupier(s).	Sched 2 - 100%	Gas supply	£ 39,000.00	£ 40,500.00		£ 32,400.00	£ 8,100.00																	
Utilities	Fuel oil	Fuel Oil	5102301	Fuel-oil supply for the owner's central plant, emergency generators, etc., excluding direct consumption of the occupier(s).	Sched 2 - 100%	Andron variable Diesel for waste vehicle and stand by gensets	£ 2,000.00	£ 2,100.00		£ 2,100.00																		
Utilities	Water	Water and sewerage charges	5102401	Water supply to central plant, common part and retained areas, excluding direct consumption of the occupier(s).	Sched 2 - 100%	Public Toilets & Management Suite	£ 12,000.00	£ 13,000.00		£ 13,000.00																		
Utilities	Utility procurement and consultancy	Electricity procurement/consultancy	5102102	Consultancy and procurement fees incurred for negotiating, reviewing, auditing and reporting on all utilities.	Sched 1- 62.9% Sched 2 - 37.1%	Elec JLL procurement/consultancy Fee	£ 680.00	£ 843.86	£ 530.79	£ 313.07																		
Utilities	Utility procurement and consultancy	Gas procurement/consultancy	5102202	Consultancy and procurement fees incurred for negotiating, reviewing, auditing and reporting on all utilities.	Sched 1- 62.9% Sched 2 - 37.1%	Gas JLL procurement/consultancy Fee	£ 120.00	£ 175.89	£ 110.64	£ 65.25																		
Soft Services	Security	Security guarding	5103101	Direct employment or contract costs incurred in providing security guarding for the building(s).	Sched 1-50% Sched 2 -50%	Fixed - Andron - Security Contract - REDUCED HOURS	£ 454,749.00	£ 471,213.60	£ 235,606.80	£ 235,606.80																		
Soft Services	Security	Security guarding	5103101	Direct employment or contract costs incurred in providing security guarding for the building(s).	Sched 1- 62.9% Sched 2 - 37.1%	Security JLL Procurement	£ 2,600.00	£ 2,056.53	£ 1,293.46	£ 763.07																		
Soft Services	Security	Security systems	5103102	Servicing and maintenance of building security systems (e.g. CCTV, access control, intruder alarms, etc.).	Sched 1-50% Sched 2 -50%	Variable - Reactive repairs	£ 15,000.00	£ 15,750.00	£ 7,875.00	£ 7,875.00																		
Soft Services	Security	Security systems	5103102	Servicing and maintenance of building security systems (e.g. CCTV, access control, intruder alarms, etc.).	Sched 1-50% Sched 2 -50%	Fixed - Andron - Radio System Licence	£ -	£ -																				
Soft Services	Security	Security systems	5103102	Servicing and maintenance of building security systems (e.g. CCTV, access control, intruder alarms, etc.).			£ -	£ -																				
Soft Services	Security	Security systems	5103102	Servicing and maintenance of building security systems (e.g. CCTV, access control, intruder alarms, etc.).			£ -	£ -																				
Soft Services	Security	Security systems	5103102	Servicing and maintenance of building security systems (e.g. CCTV, access control, intruder alarms, etc.).			£ -	£ -																				
Soft Services	Cleaning and sustainability	Internal cleaning	5103201	Cleaning of common-part and retained areas.	Sched 1-50% Sched 2 -50%	Fixed - Andron - Cleaning Contract + Materials + Equipment	£ 505,230.00	£ 523,043.16	£ 261,521.58	£ 261,521.58																		
Soft Services	Cleaning and sustainability	Internal cleaning	5103201	Cleaning of common-part and retained areas.	Sched 1- 62.9% Sched 2 - 37.1%	Cleaning JLL Procurement	£ 2,200.00	£ 2,339.01	£ 1,471.24	£ 867.77																		
Soft Services	Cleaning and sustainability	Internal cleaning	5103201	Cleaning of common-part and retained areas.	Sched 1-50% Sched 2 -50%	Cleaning Consumables	£ 12,000.00	£ 13,000.00	£ 6,500.00	£ 6,500.00																		
Soft Services	Cleaning and sustainability	Window cleaning	5103203	Cleaning of external windows.	Sched 1-50% Sched 2 -50%	Fixed - Andron - Window Cleaning external and entrances -	£ 3,911.00	£ 3,500.00	£ 1,750.00	£ 1,750.00																		
Soft Services	Cleaning and sustainability	Hygiene services/toiletries	5103204	Cleaning and servicing of common-part toilets and toiletry accommodation.	Sched 1-100%	Fixed - Andron - Hygiene Services	£ 15,887.00	£ 16,500.00	£ 16,500.00																			
Soft Services	Cleaning and sustainability	Waste Management	5103216	Refuse collection and waste-management services provided for building occupiers.	Sched 2 - 100%	Fixed - Andron - Waste removal costs	£ 66,771.00	£ 71,511.62		£ 71,511.62																		
Soft Services	Cleaning and sustainability	Waste Management	5103216	Refuse collection and waste-management services provided for building occupiers.	Sched 1- 62.9% Sched 2 - 37.1%	Variable Tractor Consumables	£ 3,000.00	£ 3,000.00	£ 1,887.00	£ 1,113.00																		
Soft Services	Cleaning and sustainability	Waste Management	5103216	Refuse collection and waste-management services provided for building occupiers.	Sched 2 - 100%	Fixed - Andron - Tractor	£ 8,771.00	£ 9,368.80		£ 9,368.80																		
Soft Services	Cleaning and sustainability	Waste Management	5103216	Refuse collection and waste-management services provided for building occupiers.	Sched 1- 62.9% Sched 2 - 37.1%	JLL Procurement - waste management	£ 140.00	£ 365.92	£ 230.16	£ 135.76																		
2	Cleaning and sustainability	Pest control	5103207	Pest-control services provided to common-part and retained areas.	Sched 1-100%	Fixed - Andron - Pest control	£ 5,546.00	£ 2,500.00	£ 2,500.00																			
Soft Services	Cleaning and sustainability	Snow clearance / road gritting	5103210	Costs incurred in clearing snow and supplying snow-clearing equipment and gritting salt.	Sched 1-50% Sched 2 -50%	Variable - Grit	£ 500.00	£ 750.00	£ 375.00	£ 375.00																		
Soft Services	Landscaping and environment	External landscaping	5103209	Provision and maintenance of external landscaped areas and special features.	Sched 2 - 100%	Fixed - Andron - External landscaping	£ 5,571.00	£ 4,982.00		£ 4,982.00																		
Soft Services	Landscaping and environment	External landscaping	5103209	Provision and maintenance of external landscaped areas and special features.	Sched 2 - 100%	Variable Andron (not charged Monthly) Invasive Species	£ 1,500.00	£ 1,545.00		£ 1,545.00																		
Soft Services	Landscaping and environment	Seasonal decorations	5103212	Provision and maintenance of seasonal decorations to common-part areas.	Sched 2 - 100%	Christmas Decorations - Out of Contract	£ 35,000.00	£ 35,000.00		£ 35,000.00																		

Contract Input Sheet

Cost Class	Cost Category	A/C Code Description	A/C Code	Contract / Work Description	Purchase Order Number	Note	Previous Year End 31-Mar-2024	Current Year End 31-Mar-2025	Sch 1	Sch 2	Sch 3	Sch 4	Sch 5	Sch 6
									Schedule 1	Schedule 2	Schedule 3 Market Hall Budget	Schedule 4 Market Hall contribution	Schedule 5 - HBC contribution car parks	Schedule 6 ATM contribution
Soft Services	Marketing and promotions	Marketing	5103302	Marketing and advertising in accordance with marketing strategy.	Sched 2 - 100%	Marketing / PR & Promotions Bewonder	£ 16,800.00	£ 85,000.00	£ 85,000.00					
Soft Services	Marketing and promotions	Marketing	5103302	Marketing and advertising in accordance with marketing strategy.	Sched 2 - 100%	Support for Giving tree and additional marketing support	£ 15,000.00	£ 15,000.00	£ 15,000.00					
Soft Services	Marketing and promotions	Marketing	5103302	Marketing and advertising in accordance with marketing strategy.	Sched 2 - 100%	Financial support for Shopmobilitiy	£ 5,000.00	£ -						
Soft Services	Marketing and promotions	Landlord's contribution to marketing	5103305	Financial contributions made by landlord towards marketing and promotions.	Sched 2 - 100%	Landlord's contribution to marketing @50%	£ (18,400.00)	£ (50,000.00)		£ (50,000.00)				
Hard Services	Mechanical and electrical services (M&E)	M&E maintenance contract	5104101	Planned maintenance and repair of the owner's M&E services, including the contractor's H&S compliance	Sched 2 - 100%	Fixed - Integral - Multi Skilled Engineer x 2	£ 98,670.00	£ 111,830.52		£ 111,830.52				
Hard Services	Mechanical and electrical services (M&E)	M&E maintenance contract	5104101	Planned maintenance and repair of the owner's M&E services, including the contractor's H&S compliance	Sched 2 - 100%	Fixed - Waste equipment servicing Bailer, Buggy and Compactor) includes LOLER certification	£ 2,800.00	£ -						
Hard Services	Mechanical and electrical services (M&E)	M&E maintenance contract	5104101	Planned maintenance and repair of the owner's M&E services, including the contractor's H&S compliance	Sched 2 - 100%	Fixed - Integral - M & E Maintenance Contracts (via TFM)	£ 74,834.00	£ 65,902.21		£ 65,902.21				
Hard Services	Mechanical and electrical services (M&E)	M&E maintenance contract	5104101	Planned maintenance and repair of the owner's M&E services, including the contractor's H&S compliance	Sched 2 - 100%	Variable - Reactive M&E repairs -	£ 61,000.00	£ 67,000.00		£ 67,000.00				
Hard Services	Mechanical and electrical services (M&E)	M&E/life safety systems inspections and consultancy	5104203	Auditing the quality of maintenance works and the condition of M&E plant and life safety systems to ensure H&S compliance.	Sched 1- 62.9% Sched 2 - 37.1%	M & E Inspections / Consultancy and Procurement TBA - Include for PMP Reviews	£ 4,200.00	£ 2,200.00	£ 1,383.80	£ 816.20				
Hard Services	Mechanical and electrical services (M&E)	M&E/life safety systems inspections and consultancy	5104203	Auditing the quality of maintenance works and the condition of M&E plant and life safety systems to ensure H&S compliance.	Sched 1- 62.9% Sched 2 - 37.1%	M&E JLL Procurement	£ 815.01	£ 1,062.95	£ 668.60	£ 394.35				
Hard Services	Lifts and escalators	Lift maintenance contract	5104204	Maintenance and repair of lifts in the common part and retained areas, including the contractor's H&S compliance.	Sched 1- 67% Sched 2 - 33%	The lift contract service	£ 15,300.00	£ 15,500.00	£ 10,385.00	£ 5,115.00				
Hard Services	Lifts and escalators	Lift repairs	5104205	Maintenance and repair of lifts in the common part and retained areas, including the contractor's H&S compliance.	Sched 1- 67% Sched 2 - 33%	Lift repairs	£ 2,500.00	£ 2,500.00	£ 1,675.00	£ 825.00				
Hard Services	Lifts and escalators	Escalator maintenance contract	5104207	Maintenance and repair of escalators in the common part and retained areas, including contractor's H&S compliance.	Sched 1- 67% Sched 2 - 33%	The escalator contract	£ 9,300.00	£ 9,900.00	£ 6,633.00	£ 3,267.00				
Hard Services	Lifts and escalators	Escalator repairs	5104208	Maintenance and repair of escalators in the common part and retained areas, including contractor's H&S compliance.	Sched 1- 67% Sched 2 - 33%	Escalator repairs	£ 2,000.00	£ 5,000.00	£ 3,350.00	£ 1,650.00				
Hard Services	Lifts and escalators	Lift inspections and consultancy	5104206	Auditing the quality of maintenance works, the condition of lift plant and H&S compliance.	Sched 1- 67% Sched 2 - 33%	Lift inspections/consultancy (Troup Bywaters Anders)	£ 2,450.00	£ 3,000.00	£ 2,010.00	£ 990.00				
Hard Services	Lifts and escalators	Escalator inspections and consultancy	5104209	Auditing the quality of maintenance works, the condition of lift plant and H&S compliance.	Sched 1- 62.9% Sched 2 - 37.1%	VT JLL Procurement	£ 445.01	£ 155.92	£ 98.07	£ 57.85				
Hard Services	Fabric repairs and maintenance	Internal repairs and maintenance	5104401	Repair and maintenance of the building structure and fabric common parts and retained areas.	Sched 1 - 80% Sched 2 - 20%	Fixed - Integral - Fabric Technician x 1.5	£ 37,191.00	£ 35,191.40	£ 28,153.12	£ 7,038.28				
Hard Services	Fabric repairs and maintenance	Internal repairs and maintenance	5104401	Repair and maintenance of the building structure and fabric common parts and retained areas.	Sched 1 - 80% Sched 2 - 20%	Fixed - Integral - Scissor Lift Hire	£ 5,416.00	£ 4,551.00	£ 3,640.80	£ 910.20				
Hard Services	Fabric repairs and maintenance	Internal repairs and maintenance	5104401	Repair and maintenance of the building structure and fabric common parts and retained areas.	Sched 1 - 80% Sched 2 - 20%	Variable - Internal repairs	£ 35,000.00	£ 38,500.00	£ 30,800.00	£ 7,700.00				
Hard Services	Fabric repairs and maintenance	External repairs and maintenance	5104402	Repair and maintenance of the building structure and fabric common parts and retained areas.	Sched 1 - 80% Sched 2 - 20%	Variable - General External Repairs - Reactive and PPM works	£ 18,000.00	£ 20,000.00	£ 16,000.00	£ 4,000.00				
Income	Income operating expenses	Bank charges and transaction costs	5105305	Cash collection costs, transaction fees related to income		Market Hall Contribution to Middleton Grange 52,352.70 HBC Contribution £76,988.36 ATM Contribution £7003.07 £122,749.49 total	£ 118,605.40	£ 122,749.49				£ 38,758.06	£ 76,988.36	£ 7,003.07
Income	Income operating expenses	Staff costs	5105303		N/A		£ -	£ -						
Income	Income operating expenses	Operating expenses	5105304	Overheads, expenses and operational costs incurred in providing any of the income streams, including gift cards.		Market Hall Contribution based on % of RV against MGSC RV's £38,758.06 3% contribution from HBC Car Parks £35,488.67 £34,377.03 £76988.36 ATM Contribution £7003.07 £122,749.49 total	£ (118,605.40)	£ (122,749.49)	£ (56,464.99)	£ (66,284.50)				
Exceptional Expenditure	Major Works	Project works	5107101	Exceptional and one-off project works, over and above routine operational costs.	Sched 1 - 80% Sched 2 - 20%	£160k PMP works	£ 147,675.00	£ 160,000.00	£ 128,000.00	£ 32,000.00				
Exceptional Expenditure	Major Works	Project works	5107101	Exceptional and one-off project works, over and above routine operational costs.	Sched 1 - 80% Sched 2 - 20%	Middleton Grange - Lift Line PSTN migration Project Estimate. (Replace auto dialers in Lifts	£ 8,400.00	£ 8,400.00	£ 6,720.00	£ 1,680.00				
Exceptional Expenditure	Major Works	Project works	5107101	Exceptional and one-off project works, over and above routine operational costs.	Sched 1 - 80% Sched 2 - 20%	Middleton Grange M&E and VT PPM assessment and report	£ 5,180.00	£ 7,923.50	£ 6,338.80	£ 1,584.70				
						Total	**£ 2,464,151.07**	**£ 2,600,407.51**	**£ 1,221,788.13**	**£ 1,247,769.89**	**£ 8,100.00**	**£ 38,758.06**	**£ 76,988.36**	**£ 7,003.07**

	Sch 7	Sch 8	Sch 9	Sch 10	Sch 11	Sch 12	Sch 13	Sch 14	Sch 15	Sch 16	Sch 17	Sch 18	Sch 19	Sch 20
	Name 7	Name 8	Name 9	Name 10	Name 11	Name 12	Name 13	Name 14	Name 15	Name 16	Name 17	Name 18	Name 19	Name 20
Total	**£ -**	**£ -**	**£ -**	**£ -**	**£ -**	**£ -**	**£ -**	**£ -**	**£ -**	**£ -**	**£ -**	**£ -**	**£ -**	**£ -**

Under the terms of paragraph 3 of schedule 12a Local Government Act 1972, the appendix to this report is not for publication

AGENDA ITEM 11
REPORT TO THE HDC BOARD

19TH FEBRUARY 2024

REPORT OF GROUP CHIEF EXECUTIVE

PIPELINE UPDATE

SUMMARY

This report provides an update on projects in the Masterplan pipeline for Hartlepool Development Corporation.

RECOMMENDATIONS

It is recommended that the Hartlepool Development Corporation Board note the update.

DETAIL

1. The pipeline is made up of projects that were identified in the Masterplan and further enquiries received from the private sector. The projects are led by HDC unless stated otherwise. The report is broken down into Focus Areas plus cross cutting transport / connectivity projects that will improve access to and from the HDC area.
2. When enquiries are received an immediate assessment of strategic fit with the Masterplan will determine the approach taken.
3. If proposals fit with the Masterplan, the Investment Development team contacts the relevant parties to gather information on the proposal.
4. As proposals are developed an assessment is undertaken based on HM Treasury Green Book Principles, considering the strength of the strategic fit, value for money and economic impact, commercial, financial and management arrangements.
5. Priority developments since the last update:
    - Completed the purchase of Middleton Grange Shopping Centre and procurement for the Focus Area Delivery Plan is due to close on 23 February.
    - Works on the new platform at Hartlepool Station is due to be complete this quarter. Following completion of entry into service checks, and authorisation by the Office of Rail and Road (ORR), trains will then start using the new platform.
    - Significant progress on developing plans for the next stage of the Production Village as part of the Creative Industries Cluster Focus Area. This project is HBC led through the levelling up bid.

- Proposals emerging for the Urban Village and Town to the Sea Focus Area (Separate confidential Agenda Item 12).

Hartlepool Development Corporation (HDC) Project Pipeline

Focus Area – Middleton Grange: A reinvented shopping centre with a more diverse set of civic uses and improved public spaces which provide a safe and accessible experience for all.

Masterplan			Description	Proposal (Cost & DC Ask)	Status (Delivery / Due Diligence / Development / Concept / Enquiry)	Next Steps
Ref	Project Name	Development Timescale *S = 0-2yrs* *M = 3-5yrs* *L = 5+*				
2.1	Middleton Grange Shopping Centre Redevelopment	S	HDC acquisition of Middleton Grange Shopping Centre inc. Binns Building To bring a key asset into public ownership for redevelopment including the delivery of the Town Deal project to renovate the Binns building. Working alongside HBC.	Separate Paper Confidential Agenda Item 8	Delivery & Due Diligence	• Procurement underway for strategic delivery plan including design & costs for full focus area, closes on 23 February. Two companies have confirmed their intention to bid. • Confidential update provided in Appendix 1.
2.3	Binns Building and adjoining public space					
2.4	Civic Centre Redevelopment	M	A potential mixed-use development with a Town Centre Focus providing a more diverse set of civic uses and improved public spaces which provide a safe and accessible experience for all. Working alongside HBC.	No Update	Development	• Collaborate with HBC to consider options. Included in the strategic delivery plan above.
2.2	Park Road Greening	S	Improved streetscape.	No Update	Concept	• Discussion with Trees on Tees team to identify funding opportunities. • Potential for future sustainable transport funding.
2.5	York Road Public Space	L	Improved streetscape and connection to town centre.	No Update	Concept	

Masterplan			Description	Proposal (Cost & DC Ask)	Status (Delivery / Due Diligence / Development / Concept / Enquiry)	Next Steps
Ref	Project Name	Development Timescale *S = 0-2yrs M = 3-5yrs L = 5+*				
	No further enquiries					

Focus Area – Raby Road Development: A new mixed-use development surrounding the football club, improved public realm and improvements to existing residential areas.

Masterplan			Description	Proposal (Cost & DC Ask)	Status (Due Diligence / Development / Concept / Enquiry)	Next Steps
Ref	Project Name	Development Timescale *S = 0-2yrs M = 3-5yrs L = 5+*				
1.1	Raby Road Public Space, Walking & Cycling Improvements	S	Enhancement of walking, wheeling and cycling links to enhance connectivity from the town centre heading north west.	Funding allocated from ATF funding for design work. May require additional funding from the CRSTS Transport Programme allocation for Mayoral Development Corporation interventions.	Development	• Transport design work underway. To be made public in February. • Consider opportunities to enhance schemes to achieve Masterplan principles such as green space, improve public realm within the delivery of the transport scheme.
1.2	Residential Development	S	Vacant site to be brought back into use for new homes.	No Update	Development	• Prioritise 2024/25 development. • Confidential update provided in Appendix 1.

Masterplan			Description	Proposal (Cost & DC Ask)	Status (Due Diligence / Development / Concept / Enquiry)	Next Steps
Ref	Project Name	Development Timescale *S = 0-2yrs M = 3-5yrs L = 5+*				
1.3	Old Cinema Park	M	Redevelopment of this site into improved public space.	No Update	Concept	• Prioritise 2024/25 development. • Options analysis required.
1.4	Redevelopment of Mill House Leisure Centre Site	M	Mixed Use Development on site of old Leisure Centre adjacent to Hartlepool FC	No Update	Concept	• Prioritise 2024/25 development. • Site becomes vacant in 2025.
1.5	Improved Crossing across A179	M	Connectivity Improvements	No Update	Concept	• Prioritise 2024/25 development
1.6	Residential Improvement Area	L	Identified as a priority for housing regeneration due to poor quality housing and ongoing anti-social behaviour & crime. Primarily private landlords.	No Update	Concept	• Prioritise 2024/25 development
	No further enquiries					

Focus Area – Creative Industries Cluster: Reinforced and expanded centre for Hartlepool's education and creative industries with space for independent business, visitors, and residents.

<table>
<tr><th colspan="3">Masterplan</th><th rowspan="2">Description</th><th rowspan="2">Proposal (Cost & DC Ask)</th><th rowspan="2">Status (Due Diligence / Development / Concept / Enquiry)</th><th rowspan="2">Next Steps</th></tr>
<tr><th>Ref</th><th>Project Name</th><th>Development Timescale
S = 0-2yrs
M = 3-5yrs
L = 5+</th></tr>
<tr><td>3.1</td><td>Shopfront reimagining</td><td>S</td><td>Re-use of vacant units along Church Street (Artist live and work studios, SME spaces).</td><td rowspan="7">No Update</td><td rowspan="7">Development</td><td rowspan="7"><u>Consultants, Time + Space,</u> have been commissioned to produce an Action Plan for this Focus Area. Building on the HBC Levelling Up Project, this will:
Develop evidence-based recommendations and a costed work plan to enhance current facilities at the Northern studios responding to industry and commercial needs in both the short and medium term.
Undertake market analysis and identify growth areas.
Develop a strategy to attract and cluster supply chain businesses.
Engage with industry and identify collaborations and partnerships.
Outline a financial plan and investment requirements.
Consider options for development.
Produce a detailed Action Plan to drive forward this focus area and sector development. Completion February 2024. This is required before development of projects to ensure a strategic approach is taken.</td></tr>
<tr><td>3.2</td><td>Shades Hotel renovation</td><td>S</td><td>Renovation of a listed building currently in council ownership.</td></tr>
<tr><td>3.3</td><td>Art Gallery expansion and public realm improvement</td><td>S</td><td>Improved cultural and public space.</td></tr>
<tr><td>3.4</td><td>Meanwhile use and temporary activation of surface parking (creative courtyards)</td><td>S</td><td>Activation of Church Street</td></tr>
<tr><td>3.5</td><td>The Northern Studios and Screen Industries expansion</td><td>S</td><td>Expanding the studios and surrounding facilities into a Production Village. Linked to the HBC LUF project.</td></tr>
<tr><td>3.6</td><td>College of Further Education public realm improvement and support active frontages at Albert Street</td><td>S</td><td>Better integration with Church Street and the Production Village, improved connectivity to town.</td></tr>
<tr><td>3.8</td><td>Scene Square (temporary)</td><td>M</td><td>Activation of Whitby Street, through LUF project.</td></tr>
</table>

Masterplan			Description	Proposal (Cost & DC Ask)	Status (Due Diligence / Development / Concept / Enquiry)	Next Steps
Ref	Project Name	Development Timescale *S = 0-2yrs* *M = 3-5yrs* *L = 5+*				
3.7	New residential development	M	New housing development on Lynn Street. HBC Lead	No DC Ask Brownfield Housing Fund Allocation	Due Diligence	• This site is being considered in the above planning.
	No further enquiries					

HDC | Hartlepool Development Corporation

Focus Area – The Town to the Sea: New connectivity and public realm links with supporting residential development – helping to reinforce the connection between the town and the sea.

Masterplan			Description	Proposal (Cost & DC Ask)	Status (Due Diligence / Development / Concept / Enquiry)	Next Steps
Ref	Project Name	Development Timescale *S = 0-2yrs M = 3-5yrs L = 5+*				
4.1	Re-wilding the waterfront (including green infrastructure and flood management interventions)	M	Improve open space, increased bio-diversity and habitat creation.	No Update	Concept	• Prioritise 2024/25 development
4.2	Improved public space linking to the Marina	M				
4.3 4.6 4.7	New residential development	M	To bring forward residential led development on vacant private sector owned sites.	In Development	Development	• Prioritise 2024/25 development. • Working closely with landowner on proposal (Separate confidential Agenda item 12).
4.4	New residential-led, mixed-use development	M				
4.5	New connection over the rail line	M		No Update		• Prioritise 2024/25 development
N/A	Hartlepool Town Centre to Seaton Carew	S	Enhancement of walking, wheeling, and cycling links to enhance connectivity from the town centre heading east and connecting with existing routes. Working with HBC	No HDC Ask Funding allocated from the LUF2 Programme	Development	• Concept designs now progressed to feasibility stage and to be made public at the end of February. • Consider opportunities to enhance schemes to achieve Masterplan principles such as green space, improve public realm within the delivery of the transport scheme.

Masterplan			Description	Proposal (Cost & DC Ask)	Status (Due Diligence / Development / Concept / Enquiry)	Next Steps
Ref	Project Name	Development Timescale *S = 0-2yrs* *M = 3-5yrs* *L = 5+*				
	No further enquiries					

Focus Area – Urban Village: A new mixed-use development around the station, creating new homes and employment space around easy connections to the Marina and station.

Masterplan			Description	Proposal (Cost & DC Ask)	Status (Due Diligence / Development / Concept / Enquiry)	Next Steps
Ref	Project Name	Development Timescale *S = 0-2yrs* *M = 3-5yrs* *L = 5+*				
5.1	Trincomalee Wharf Way	S	A safe and easy, active link between the Marina and Church Street.	No Update	Concept	• Prioritise 2024/25 development
5.2	Residential led mixed-use neighbourhood	S	Improved mix of uses new homes at scale close to the station and integrated leisure/ cinema offer.	In Development	Development	• Prioritise 2024/25 development. • Working closely with landowner on proposal (Separate confidential Agenda item 12).
N/A	New Platform at Hartlepool Station	S	Reconstruction of the disused platform, together with lifts and new footbridge providing access from the station building. To provide additional capacity to enable additional train services to operate along the Durham Coastline between Newcastle and Middlesbrough to improve connectivity.	No HDC Ask Funding allocated from the CRSTS Transport Programme	Delivery	Construction completion scheduled for Q4 2023/24. Following authorisation by the Office of Rail and Road (ORR), the new platform will enter into service and be used by southbound trains.
5.3	New pedestrian bridge over the rail line	S	Catalyst for development at the North of the rail station to improve connection between Church St and the Marina.	No Update	Development	• Considering options • Linked 5.4
5.4	Gateway arrival public square	S	Construction of a new station entrance from the new platform to provide a more direct access to the marina area to enhance connectivity.	Costs TBC Funding allocated from the CRSTS Transport Programme. May	Development	• Commissioning further design and option development work.

Masterplan			Description	Proposal (Cost & DC Ask)	Status (Due Diligence / Development / Concept / Enquiry)	Next Steps
Ref	Project Name	Development Timescale *S = 0-2yrs* *M = 3-5yrs* *L = 5+*				
			between the station, the marina, and attractions to the north.	require additional funding from the CRSTS Transport Programme allocation for Mayoral Development Corporation interventions.		• Working closely with landowner to explore options. (Separate confidential Agenda item 12).
5.5	Tall Ships Park	M	Improving Open Space	In Development	Development	• Prioritise 2024/25 development. • Working closely with landowner on proposal (Separate confidential Agenda item 12).
5.6	Marina public realm	M	Improving pedestrian experience and overall dwell time.	In Development	Development	
5.7	Public realm and access improvements to Urban Village	M	Improved pedestrian experience and access to urban village.	In Development	Development	
	No further enquiries					

Focus Area – Queens Meadow & Oakesway Growth : To create modern, employment sites to support the town's successful manufacturing and light industrial sectors.

Masterplan			Description	Proposal (Cost & DC Ask)	Status (Due Diligence / Development / Concept / Enquiry)	Next Steps
Ref	Project Name	Development Timescale *S = 0-2yrs* *M = 3-5yrs* *L = 5+*				
6.1 – 6.3	Oakesway	S	Delivery of new commercial / employment space, marketing & branding strategy, and bio-diversity plan.	No update	Concept	• Prioritise 2024/25 development. • Establish project team • Engage with existing businesses
6.4	Queens Meadow Employment Space	S	Private Sector owner, Hellens, proposed commercial unit expansion.	In Development	Development	• Working closely with landowner on proposal.
6.4a	Queens Meadow Residential Development	S	Private Sector owner, Hellens, proposed residential scheme.	No DC funding requirement	N/A	• Await planning application.
	No further enquiries					

Cross Cutting – Transport & Connectivity to and from HDC area

Masterplan			Description	Proposal (Cost & DC Ask)	Status (Due Diligence / Development / Concept / Enquiry)	Next Steps
Ref	Project Name	Development Timescale *S = 0-2yrs* *M = 3-5yrs* *L = 5+*				
Hartlepool Active Travel Improvements Changes to the highway and public realm to create new off-road cycling infrastructure compliant with LTN1/20 standards; a safer environment for pedestrians and improve accessibility for persons of reduced mobility.						
N/A	Hartlepool Town Centre to Catcote Road	S/M	Enhancement of walking, wheeling and cycling links to enhance connectivity from the town centre heading west and connecting with existing routes	No HDC Ask Funding allocated from the LUF2 Programme	Development	• Concept designs now progressed to feasibility stage and to be made public at the end of February. • Consider opportunities to enhance schemes to achieve Masterplan principles such as green space, improve public realm within the delivery of the transport scheme.
N/A	Hartlepool Town Centre to Wolviston	S/M	Enhancement of walking, wheeling and cycling links to enhance connectivity from the town centre heading south	No HDC Ask Funding allocated from the CRSTS Transport Programme for delivery of the first phases of this route	Development	• Designs currently being reviewed prior to being made public shortly. • Consider opportunities to enhance schemes to achieve Masterplan principles such as green space, improve public realm within the delivery of the transport scheme.
N/A	Hartlepool Town Centre to Headland	S/M	Enhancement of walking, wheeling and cycling links to enhance connectivity from the town centre heading north	No HDC Ask Funding allocated from the CRSTS	Development	• Designs currently being reviewed prior to being made public shortly. • Consider opportunities to enhance schemes to achieve Masterplan principles such as green space,

Masterplan			Description	Proposal (Cost & DC Ask)	Status (Due Diligence / Development / Concept / Enquiry)	Next Steps
Ref	Project Name	Development Timescale *S = 0-2yrs* *M = 3-5yrs* *L = 5+*				
				Transport Programme		improve public realm within the delivery of the transport scheme.
Hartlepool Bus Priority Improvements Project development work to date has identified these locations as causing performance issues for buses. Identifying and implementing improvements will lead to reduced journey times and better service reliability, improving connectivity to and between Hartlepool Town Centre and the other HDC areas.						
N/A	• Catcote Road / Oxford Road junction enhancements	S/M	Changes to physical road infrastructure and / or the implementation of digital assets at a number of location / junctions.	No HDC Ask Funding allocated from the CRSTS Transport Programme	Development	• Design work underway • Consider opportunities to enhance schemes to achieve Masterplan principles such as green space, improve public realm within the delivery of the transport scheme.
N/A	• Owton Manor Lane / A689 roundabout	S/M		No HDC Ask Funding allocated from the CRSTS Transport Programme	Development	• Design work underway • Consider opportunities to enhance schemes to achieve Masterplan principles such as green space, improve public realm within the delivery of the transport scheme.
N/A	• York Road / Victoria Road	S/M		No HDC Ask Funding allocated from the CRSTS Transport Programme	Development	• Design work underway • Consider opportunities to enhance schemes to achieve Masterplan principles such as green space, improve public realm within the delivery of the transport scheme.

FINANCIAL IMPLICATIONS

6. This report is an update for information only therefore no direct financial implications.

LEGAL IMPLICATIONS

7. This update is for information only therefore there are no direct legal implications.

RISK ASSESSMENT

8. This update is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

CONSULTATION & COMMUNICATION

9. This update is for information only therefore no further consultation and communication is necessary.

EQUALITY & DIVERSITY

10. This update is for information only therefore it does not impact on groups of people with protected characteristics.

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