



AGENDA ITEM 5

TEES VALLEY REVIEW UPDATE

15th MARCH 2024

REPORT OF THE GROUP CHIEF EXECUTIVE

SUMMARY

The purpose of this report is to provide Cabinet with an update on the Independent Review into the Tees Valley Combined Authority's oversight of the South Tees Development Corporation and Teesworks Joint Venture (Teesworks Limited) and to set out the process for implementation of the Recommendations within that Report.

The Tees Valley Review was commissioned by the Secretary of State for the Department for Levelling up Housing and Communities on 7 June 2023 and the Terms of Reference are attached at **Appendix 1**. The Tees Valley Review Report which concluded the review is provided at **Appendix 2**. A letter from the Secretary of State to the Tees Valley Mayor requesting a response to the report recommendations is also provided at **Appendix 3**. A copy of the Tees Valley Mayor's response to this letter is included at **Appendix 4** and a copy of a letter to the Tees Valley Mayor from the other members of the TVCA cabinet supporting the action plan is included at **Appendix 5**.

RECOMMENDATIONS

It is recommended that Cabinet: -

1. Notes the response to the Secretary of State and the action plan within it;
2. Notes the recommendations for His Majesty's Government within the report;
3. Endorses the proposed process to respond to the recommendations from the Tees Valley Review report, detailed in Paragraph 5 of this Report;
4. Approves the Terms of Reference for the Statutory Officers Working Group; and
5. Approves the process of oversight by TVCA cabinet and its statutory committees detailed in Paragraph 11 of this report.

DETAIL

BACKGROUND

1. 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'."

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
- 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:

"...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..."

5. The Mayor has set out an action plan for responding to the Secretary of State, to detail its proposed response to the Tees Valley Review panel's recommendations (**Appendix 4**) and the other members of TVCA cabinet endorsed that plan (**Appendix 5**). The key stages of that plan are set out below:

- Establish a Statutory Officer Working Group (SOWG), including statutory officers from all five constituent authorities (Chief Executives, Monitoring Officers and a S151 Officers) to consider and approve the response to report recommendations;
- Appoint a 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;
- Appoint an LGA representative to provide independent oversight of the implementation plan and undertake workshops with officers and members to support the embedding of the necessary culture into the organisation;
- Submit recommended actions to STDC and TVCA A&G committees as well as TVCA Overview and Scrutiny committee for consideration;
- Submit recommended actions to TVCA Cabinet together with the appropriate revised governance documentation for approval; and

- Submit recommended actions together with the revised governance documentation to STDC Board for approval.
6. The SOWG has been established and has had two meetings of the whole group, with additional meetings of the Finance Directors and Monitoring Officers. The SOWG has drafted terms of reference for Cabinet's approval which are included at **Appendix 6**.
 7. A Local Government Association representative has been appointed and agreed to work with TVCA to provide independent oversight of the implementation of the recommendations and to place and to undertake the training required, as identified in the Tees Valley Report, and and as further identified by the SOWG.
 8. The working group established is an officer working group, which is tasked with reviewing the recommendations in the Tees Valley Review, and providing advice and drafting revised documentation for the consideration of Cabinet and its Committees. To ensure appropriate political oversight of the process from TVCA, it is proposed that there are a number of workshops with cabinet and committee members to brief them and incorporate their views as the work progresses to ensure their views are taken account of in the revised processes.
 9. The SOWG will meet at least monthly over the coming months to move forward the recommendations. In addition, subgroups of SOWG will consider certain points outside of meetings and come back to the SOWG with recommendations for endorsement. These recommendations will result in several protocols and revised constitutional documents.
 10. There is a significant amount of work to do in reviewing processes, legislation and then redrafting and it will take some time for the SOWG to work through this and the intention is that regular briefings of members will be undertaken to ensure political oversight of the process.
 11. SOWG findings will form the basis of these briefings for cabinet and also for committee members as well as with STDC Board to ensure political oversight and engagement in advance of them being finalised. It is anticipated that this will be done in a number of stages to ensure that members have input to the process and the work being undertaken as it develops:
 - Briefing 1 in April – SOWG will provide an update on the statutory and regulatory framework that underpins the organisations, to ensure that members are familiar with the legislation which governs the organisations and in particular where liabilities and accountability lie so that any proposed changes to governance and structures fully reflect the legislative requirements;
 - Briefing 2 in early May – SOWG will provide an update on the emerging changes to governance and processes including a briefing on proposed changes to both the TVCA and STDC constitutions. This stage will be

undertaken as soon as possible after the Mayoral election to allow the newly elected Tees Valley Mayor to participate; and

- Briefing 3 in June – SOWG will propose a draft Implementation Plan which will include revised governance documents for both TVCA and STDC.

8. The dates provided above are intended to give a guide to cabinet of what they can expect but depending on the progress of work they may be subject to change.
9. Once all of these stages have been completed, the draft Implementation Plan will then come forward to be considered by TVCA Overview and Scrutiny Committee, STDC and TVCA Audit and Governance Committees at the first available meetings after the AGM and then come forward to TVCA cabinet and STDC Board at their next available meetings thereafter.
10. In addition to the work covered by SOWG, the Review recommends that STDC requests that the joint venture partners are asked to reconsider elements of the JV deal, though does not stipulate which aspects and that the agreements are codified into one document. STDC Board has asked that the Group Chief Executive formally writes to the partners on behalf of the Board making the request and reports back to Board the response and outcome of any discussions. The Group Chief Executive is in the process of formally appointing independent legal advisers to review the documentation to undertake the work codifying the documents and to advise on any specific areas where renegotiation may be possible to inform discussions with the JV partners.
11. 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. It is therefore proposed that these recommendations fall outside of the remit of the working group referred to in paragraphs 5 and 6 above but that any output from Government is taken into account in the work undertaken if provided within the timescales.
12. The Tees Valley Review report is publicly available and is also currently being reviewed by External Auditors to inform their Audit Completion work for the 2021-22 financial year.

FINANCIAL IMPLICATIONS

12. There are no financial implications associated with the recommendations set out in this report.

LEGAL IMPLICATIONS



13. There are no legal implications associated with the recommendations set out in this report however there is an imperative from a legal and governance perspective to ensure that the recommendations are considered very carefully, and appropriate action is taken in respect of them.

RISK ASSESSMENT

14. A risk assessment of the recommendations contained within the Tees Valley Review Report will be formulated alongside the development of any responses to the report.

CONSULTATION

15. The Tees Valley Review Terms of Reference and Report are all published on the Governments website and copies of the report are available to all local stakeholders. The content of the report will be discussed with Local Authority representatives as part of the normal TVCA processes.

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