

**Appendix 1 to this report is not for publication by virtue of paragraphs 3 of schedule 12A of the Local Government Act 1972**

**AGENDA ITEM 16**

**REPORT TO THE TEES VALLEY  
COMBINED AUTHORITY CABINET**

**1 JUNE 2018**

**REPORT OF FINANCE DIRECTOR**

**INVESTMENT**

**SOUTH TEES SITE COMPANY TRANSITION PLAN**

**SUMMARY**

Discussions are continuing with the Department of Business Energy Industry and Strategy (BEIS) and the Ministry of Housing Communities and Local Government (MHCLG) - via a Transition Group - to find a mechanism to transfer the long term responsibility for the operation and development of the South Tees Development Corporation (STDC) site to local ownership whilst ensuring sufficient resources and protections are in place to ensure other local priorities are not compromised ("Transition").

The detail of this work will continue for some time and requires a number of actions to be achieved before Transition can legally occur, including a substantial financial business case to be approved in the autumn budget, but the Transition Group has agreed a draft Transition Plan which sets out the process for getting there as well as identifying the key risks and mitigators.

This Transition Plan (which is included at Appendix 1 - Exempt) is being placed before Ministers, the Boards of South Tees Site Company (STSC) and STDC as well as Tees Valley Combined Authority (TVCA) Cabinet for approval in May / early June.

**RECOMMENDATIONS**

It is recommended that the Combined Authority Cabinet:

- i. Approves the draft Transition Plan as a basis to move Transition forward.

## DETAIL

1. The development of the former SSI steelworks, through the South Tees Development Corporation is core to the delivery of the economic regeneration objectives of TVCA and set out in the STDC masterplan. In order to deliver this, STDC needs to acquire the key land assets.
2. There are 3 key land assets which are shown on the map in Appendix 2 and these are as follows:
  - a. The former SSI land which is currently owned by the Official Receiver and charged to the Thai Banks but operated by South Tees Site Company, a limited company owned by BEIS and chaired by Cllr Sue Jeffrey;
  - b. The Tata land; and
  - c. Redcar Bulk Terminal which is a limited company owned 50% by Greybull Capital and 50% by the Official Receiver.
3. The operating costs of the site are currently c£16m per annum to deliver site-wide security and a keep safe service that manages the significant site risks. In the 2017 budget, the Treasury allocated £117.8m to fund the keep safe operations to 2022 and to fund 'spend to save' project that will decommission the high risk assets and reduce the annual spend on the site to £8.5m. Further reduction of this liability is dependent upon reducing the operational costs of maintenance of certain assets such as the coke ovens and blast furnace.
4. In recent months, STDC has been undertaking ground investigation work to understand the liabilities of the former SSI land, and this work has identified that whilst there is significant cost associated with bringing forward the land for development, there is little in the way of remediation work needed. The exception is the land under the coke ovens and blast furnace which is not accessible and is identified in the Transition Plan as requiring additional protection for TVCA by way of Indemnity from Her Majesty's Government.
5. The land (other than one building that is valued at £450,000), is valued at nil. (The acquisition of the land is subject to a separate Cabinet paper dealing with the Thai Banks transaction which is covered in this month's cabinet as a separate decision.)
6. The Transition Plan is a roadmap toward transferring the long term ownership of the SSI site to Tees Valley, by agreeing a process by which transfer can occur, through identifying the key risks to local ownership and agreeing a way to manage those risks either through a financial settlement or indemnity from HMG.
7. The key aspects of it are:
  - a. No transfer will occur until a Business Case is agreed by the Treasury in the Autumn budget which will transfer sufficient resources to TVCA to allow it to manage the financial risks of taking on ownership of the site. This is being worked up over the next 3 months and is estimated at c£200m, to include:
    - i. A financial allocation to reduce the maintenance costs associated with the coke ovens and blast furnace;
    - ii. A solution to ensure that the ongoing site costs can be managed; and
    - iii. A government contribution to allow enabling works to be undertaken to provide infrastructure to allow the site to be developable.

- b. Financial indemnities will be in place to cover unanticipated costs of remediation of the land under the coke ovens and blast furnace.
8. Formal approval to the delivery of the individual elements of the Plan will come forward to Cabinet as required.

## **FINANCIAL IMPLICATIONS**

9. At this stage there are no financial implications for TVCA of the Transition Plan itself and any future financial implications will come to this cabinet for a decision at the appropriate time.

## **LEGAL IMPLICATIONS**

10. This report does not have legal implications at this time.

## **RISK ASSESSMENT**

11. Whilst the delivery of the Transition Plan will involve the management of a number of risks, the approving the Plan itself is considered low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

## **CONSULTATION**

12. The content of this report has been considered by Tees Valley Chief Executives, South Tees Site Company Board and South Tees Development Corporation Board, as well as by BEIS civil servants.

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**Key:**

Red land former SSI owned by Official Receiver (pink leased to OR from Tata)

Yellow land Tata owned

