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Our Ref: BH/JG/JL-454

27 September 2024

Rt Hon Angela Rayner MP
Deputy Prime Minister and Secretary of State for
Housing, Communities and Local Government

By email: PSAngelaRayner@communities.gov.uk / Ministerial.Correspondence@communities.gov.uk

Dear Secretary of State

I write to you on behalf of myself and the five leaders of the Tees Valley Combined Authority to set out the organisational changes that we have made in response to the Tees Valley Review, which reported its findings on January 29th 2024.

The work on this response, spanning 6 months, has been thorough and has been taken extremely seriously by all of those involved. With this, I want to put on record my thanks to all of the officials who worked tirelessly to develop and implement all of the required changes.

The work has primarily been led by a team of Statutory Officers from all of the 5 local authorities as well as Tees Valley Combined Authority (TVCA) itself. We have consulted with both TVCA and South Tees Development Corporation's (STDC) statutory committees at multiple points throughout the process, as well as taking independent legal advice and independent advice from CIPFA, the Centre for Scrutiny and Local Government Association (LGA). This has resulted in a number of changes to governance within both STDC and TVCA, all of which have been articulated into revised Constitutions for TVCA and STDC as well as a revised Assurance Framework for managing public money.

All of these changes have been unanimously approved by all of our cross-party statutory committees, the cross-party South Tees Development Corporation Board, and the Tees Valley Combined Authority Cabinet, which is made up of myself and the five Labour local authority leaders.

It is my hope that this cross-party work demonstrates our commitment to this process and that it will allow us to continue with the delivery of this nationally significant project, and our wider work in serving the people of Tees Valley by creating more jobs, attracting more investment, and growing our local and national economy – a goal I share with both you and the Prime Minister. With this, I felt it important to detail findings from this piece of work that show the positive impact the Teesworks project is having on the local area, and I have included in this response an independent Economic Impact Assessment, in full, for your information.

In this response I also set out the key aspects of our approach to the work in response to the Tees Valley Review, and I have attached all documents and reports for your appraisal.

Economic Impact

The UK is on a path to net zero promising cheap zero-carbon electricity by 2030. This is part and parcel of the UK Government's ambition to 'shape markets and use public investment to crowd in private funding,

double onshore wind, triple solar power, and quadruple offshore wind by 2030.' Teesworks' activities are aligned with these ambitions and the development of this site is key to the Government delivering on its targets. Indeed, Teesworks is the leading UK decarbonisation cluster and is becoming synonymous with Net Zero in the same way Silicon Valley has become synonymous with IT and social media.

Public investment in Teesworks (£560m including loans) has attracted £4.96bn in committed private investment (SeAH Wind, BP/Equinor). The public/private investment ratio (8.9/1) surpasses the Government target for projects of this nature (3/1). When complete, another £5.6bn in deals will further improve the BCR to 18.9/1 in 12 to 18 months. Teesworks is leveraging private sector investment well beyond expectation and should be seen as an exemplar for public private partnerships to grow our economy, return manufacturing to the UK and create much needed jobs.

In addition to long-term national strategic goals, Teesworks is contributing to the local economy through job creation, training, education and, over the next 5 to 10 years, Teesworks will deliver a decisive £79.0m annual boost to locally retained business rates as large-scale projects become operational. The boost will see annual R&C rates rise from £35.2m to £74.7m, equivalent to £1,130 per household.

It is also worth noting that these figures are based on the development of 44% of the site, which is either signed or terms have been agreed. Projections indicate that once developed fully, the site will bring in c.£140m of business rates per year that will be locally retained and reinvested into the local community. For context, the current revenue the council receives from council tax is c.£70m.

In terms of employment, a significant lever in delivering growth, based on 'committed' and investment 'in legals', operational jobs at Teesworks is forecast to reach 3,478, with a further 10,047 supply chain jobs by 2030. In addition to this, the construction jobs required to develop the site amount to a further 6,900 jobs. Together, these figures suggest that some 20,452 jobs will be supported with only 44% of net developable site committed.

Teesside has a history of deprivation arising from de-industrialisation. Productivity and wage rates in Redcar & Cleveland remain low, at 18.6% below the national average. In contrast, Teesworks estimates that the average wage on its site when operational will be 15% above the national average.

When the Prime Minister took office, I was grateful to meet with both him and yourself to discuss this Government's plans for the country. The unwavering message was that this Government's central mission would be to grow our economy, a goal I share and one I am committed to working beyond party lines to achieve. It is evident that Teesworks can play a significant role in this Government's success both economically and in the sphere of Net Zero, something everyone in the country should be working towards.

It is my hope that this comprehensive response to the Tees Valley Review can provide a strategic reset, whereby we can realign our goals and use the Teesworks site to drive growth, create jobs, and develop the technologies of the future.

Background

On 24 May 2023, following the accusations levelled at Teesworks under Parliamentary Privilege by Andy McDonald MP, the Secretary of State for Levelling Up, Housing and Communities wrote to me in my capacity of 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 myself to the Secretary of State on 16 May seeking an independent review of the matter by a 'relevant body'."

1. The Secretary of State set out the scope for the review in the Terms of Reference. A Review Panel was convened consisting of experienced and independent 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

2. The Tees Valley Review panel concluded its work, found no evidence of corruption or illegality, and reported its findings to the Secretary of State on 29 January 2024.
3. The Secretary of State then wrote to me as Mayor 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...”

Response

Our approach to this work has been to engage with all 28 recommendations and, make the necessary changes to governance required to address any issues.

I attach a copy of all of the documentation approved by TVCA that implements the changes required to address the Tees Valley Review panel's recommendations. These changes have been unanimously supported by the Tees Valley Combined Authority Cabinet. I have taken the opportunity to set out below the key stages of the work undertaken:

- A Statutory Officer Working Group (SOWG) was established, 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. Membership of the SOWG was unanimously approved by Cabinet, and was as follows:
 - Julie Gilhespie – Chief Executive, TVCA
 - Gary Macdonald – s73 Officer, TVCA
 - Emma Simson – Acting Monitoring Officer, TVCA
 - Denise McGuckin – Managing Director, Hartlepool Borough Council
 - Clive Heaphy – Interim Chief Executive, Middlesbrough Council
 - Ged Morton – Monitoring Officer, Stockton Borough Council
 - Luke Swinhoe – Monitoring Officer, Stockton Borough Council
 - Phil Winstanley – s151 Officer, Redcar & Cleveland Borough Council
 - Neil Schneider was appointed as STDC Board sponsor

With the agreement of the Tees Valley Combined Authority Cabinet, a formal response to the Secretary of State’s letter was sent to confirm the initial approach to recommendations.

The SOWG has had 4 meetings of the whole group, with additional meetings of the Finance Directors and Monitoring Officers of all local authorities, as well as a significant amount of work being undertaken outside of formal meetings.

To ensure appropriate political oversight of the process from the Tees Valley Combined Authority, separate briefing sessions for Cabinet members and each committee have been a regular feature of the process to brief them, keep them up to date on the work in progress as well as to ensure their views are taken into account throughout the process rather than just at the end of it.

Upon completion of this work, the proposed response was then taken to both the South Tees Development Corporation and the Tees Valley Combined Authority Audit and Governance Committees, TVCA’s Overview and Scrutiny Committee (a cross party committee made up by proportional representation from across the region), the South Tees Development Corporation Board and finally the Tees Valley Combined Authority Cabinet for approval. I am pleased to inform you that this process is now complete and that this response has been unanimously endorsed by all committees and all involved in this process, allowing me to write to you to confirm that the required changes have been made and implemented into our governance system.

In terms of monitoring the way in which the new processes are managed and, importantly to ensure that they are imbedded into the culture of the organisation, a Local Government Association panel, chaired by Rob Whiteman, has also been appointed to work with the Tees Valley Combined Authority to support and provide independent oversight of the implementation of the new processes and to undertake the training required, as

identified in the Tees Valley Report, and as further identified by the SOWG. This panel has already had access to the work that has been done and changes made to review and comment on.


Their detailed work has already commenced and they have a site meeting planned for the 30th September 2024, to meet the TVCA executive team to discuss their role. Helen Kemp, TVCA's Business Solutions Director, who has not had involvement in the Tees Valley Review and was not with the organisation at the time under review, will be the lead Director for this work to ensure a level of independence from statutory officers. Helen is particularly suited to this role because she has undertaken Peer Reviews for the LGA in the past and so has a deep understanding of the way that they work.

The LGA panel is chaired by Rob Whiteman CBE (former CEO CIPFA), supported by Adele Gritten (CEO Local Partnerships) and Mark Edgell (LGA Principal Advisor). Their work will be concluded by a Peer Review undertaken by LGA in 9-12 months to ensure that the changes have been properly embedded within the organisation.

I look forward to hearing your response and welcome the opportunity to continue to work positively with this Government to bring success to Teesside, Darlington, and Hartlepool.

Best wishes

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Ben', written in a cursive style.

Ben Houchen
Tees Valley Mayor