

TEES VALLEY MAYOR BEN HOUCHEN

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Our Ref: BH/JG/JL-358

Rt Hon Michael Gove MP
Secretary of State for Levelling Up, Housing and Communities

By email: ministerial.correspondence@levellingup.gov.uk / PSMichaelGove@levellingup.gov.uk

28 February 2024

Dear Secretary of State

Thank you for your letter of 24 January in relation to the publication of the Tees Valley Review. You are correct in your assertion that I am extremely pleased with the panel's conclusion that there is no evidence of corruption or illegality at Teesworks. I am further delighted that the panel has recognised the incredible progress that has been made on the site in just three years since it was taken into local ownership. Their recognition of the creation of 9,000 jobs in developing so far just 17% of the site and the role that Teesworks will play in the Levelling Up and economic regeneration of Tees Valley is particularly pleasing.

I note also the panel's acceptance that the Mayoral Development Corporations (MDCs) are a new development tool and as such there are recommendations for Government to clarify its intention with regard to them, especially with respect to Combined Authorities and Local Authorities. This clarity is essential for all MDCs to realise their regeneration potential, particularly in areas that have been left behind economically.

Notwithstanding that, I welcome the panel's recommendations and will work at pace to develop an action plan for their implementation. To that end I have requested a comprehensive review of the recommendations and their implications for the TVCA / STDC constitutions and governance arrangements. Specifically, I have already done the following:

- Established a cross-authority working group, including statutory officers from all five constituent authorities (Chief Executives, Monitoring Officers and S151 Officers) to consider and agree an action plan for implementation of the recommendations. The action plan is included as an appendix to this letter;
- Appointed an STDC Board sponsor for the working group. Whilst most of the recommendations are noted as being for TVCA / STDC / Local Authorities to consider, the STDC Board sponsor will provide feedback on the proposals as they progress to ensure that they address matters from an STDC perspective;

Once this work is completed, the action plan, together with the revised governance arrangements and constitutions, will be submitted to the next available TVCA Cabinet and STDC Board together for approval. Part of the process will be consideration by STDC and TVCA A&G committees as well as TVCA Overview and Scrutiny committee.

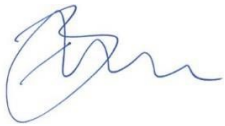
The amendments will also be incorporated into the processes and documentation of Hartlepool and Middlesbrough Development Corporations to ensure the best practice is consistent across all of the TVCA affiliated statutory bodies.

The Centre for Excellence in Scrutiny will be asked to consider the scrutiny arrangements and undertake training for officers and committee members following the establishment of the new committees following the AGM.

Whilst having the appropriate processes and documentation in place is essential, I recognise that ensuring these processes are embedded moving forward is equally important. To that end I intend to invite the LGA to undertake some workshops with Cabinet and senior officers within TVCA, STDC and the Local Authorities to ensure a level of independent rigour is applied to the implementation of the recommendations and to ensure that our governance systems work in practice going forward.

I trust this provides you with the information that you required.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Ben', with a stylized flourish at the end.

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APPENDIX

Statutory Officer Working Group Action Plan

The following Action Plan sets out the detailed actions required by the relevant parties to ensure that TVCA and its constituent local authorities undertake the work required to both agree the actions to incorporate the recommendations made by the Tees Valley Review and to ensure that they are incorporated both into the culture and Governance Structure of STDC, TVCA, and, where applicable, its constituent authorities. TVCA is committed to delivering the required change at pace, while recognising that there is much work to do to ensure that the recommendations are complied with.

To this end, TVCA has established a Statutory Officer Working Group (SOWG), comprising of the TVCA statutory officers and a selection of statutory officers from the Local Authorities, including a mix of Monitoring Officers (MOs) s151/s73 Officers (FDs) and Chief Executives/Managing Directors (CEOs).

TVCA Cabinet will receive an update on the work done to date at its Cabinet meeting on 15 March, and will receive further updates at any future Cabinet meetings before the revised governance arrangements are brought for formal review. STDC Board will get similar updates at its meetings.

The SOWG will meet at least monthly over the coming months to move forward the recommendations. In addition, sub groups of MOs and FDs will consider certain points outside of meetings and come back to the SOWG with recommendations for endorsement. These recommendations will result in a number of protocols and revised constitutional documents which will be considered by TVCA and STDC's Overview & Scrutiny / Audit Committees before being taken forward for formal endorsement by STDC Board and TVCA Cabinet in September.

SOWG draft recommendations will form the basis of workshops with committee members and with TVCA Cabinet and STDC Board to ensure political oversight and engagement in advance of them being finalised. These workshops will take place after the June AGM when the STDC Board, TVCA Cabinet and their committees will be in place following the Mayoral election in May. This work will be supported by Mark Edgell at the LGA who has agreed to provide independent support to ensure that the proposals properly meet the requirements of the recommendations.

Once the revised constitutions and revised governance arrangements are in place, Mark will further undertake workshops with officers and members to ensure that the culture required to embed the recommendations is understood and in place.

ITEM	RECOMMENDATION	COMMENTARY	ACTION / PARTIES INVOLVED	OUTPUT	LEAD
REC NO	RECOMMENDATIONS FOR TVCA / STDC GOVERNANCE				
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.	Understanding liabilities – the s73 Officers and then the Working Group will receive a Briefing from STDC s73 Officer on the present liabilities for STDC.	King's Counsel (KC's) advice on liabilities to be shared with all LA Monitoring Officers (MOs). By end of March s73/s151 Officer group to agree a position statement for TVCA Cabinet and STDC Board.	Report on liability position be agreed by SOWG to go to TVCA Cabinet / STDC AGM for approval.	TVCA FD/MO
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.	Understanding Business Rate income and associated borrowing – STDC s73 Officer to share a Briefing Note on the forecasting of Business Rates and associated borrowing.	S73/S151 Officer Group to agree briefing on Business rates and forecasting of associated borrowing.	Report to be agreed by SOWG to go to TVCA Cabinet / STDC AGM for approval.	TVCA FD
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.	Model to be refreshed and shared with s73 / s151 group	s73 / s151 Group to agree refreshed model.	Model to be agreed by SOWG and presented to Cabinet together with paper setting out key assumptions and implications.	TVCA FD
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.	Working group agreed that the Scrutiny point will be addressed in response to the work for Recommendation (above) and that the Monitoring Officers will consider the Statutory Instruments of STDC and TVCA to understand their statutory basis. This will be reported back to the Working Group.	MO group to consider the statutory instruments of TVCA and STDC to advise on appropriate basis for TVCA O&S scrutiny. Update to inform revised constitutions.	Amendments to TVCA / STDC constitution as required particularly in respect of clarity on role and reach of O&S.	TVCA MO

ITEM	RECOMMENDATION	COMMENTARY	ACTION / PARTIES INVOLVED	OUTPUT	LEAD
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.	The Working Group acknowledged that there is likely to be some merit in this, but the Working Group will need to consider its own recommendations first before an invite is to be considered. Training for Members will also be considered in due course.	CGS to be contacted to review proposals re O&S above and also to provide training to both officers and committee members		TVCA CEO
8	TVCA and STDC should modify their constitutions to reflect any changes in delegations and directions that may arise from recommendations.	The Working Group agreed that this is a consequential recommendation which relates to amendments following this review. This will be picked up following the Working Group's wider review.	Amend constitutions as required to be endorsed by SOWG following proposal from MOs.	Amended constitution to be approved by TVCA / STDC Board.	TVCA MO
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.	The Working Group agreed that this is a consequential recommendation which relates to amendments following this review. This will be picked up following the Working Group's wider review.	Amendment to TVCA constitution to be endorsed by SOWG following proposal from MOs.	Amended constitution to be approved by TVCA Cabinet.	TVCA MO
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.	Agreed that there should be a Code of Conduct for the joint statutory members. Propose to codify what an associate member is and that link to the relevant LAs. Working Group agreed that this will be picked up in the first instance by the Monitoring Officers, to bring back to the Working Group.	Protocol to be drafted to sit in constitutions of both STDC and TVCA. To be endorsed by SOWG following proposal from MOs.	Amended constitution to be approved by TVCA / STDC Board.	TVCA MO

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.	Working Group discussed how LAs could have more involvement in the work of STDC – sharing papers etc in advance of meetings.	Protocol to be drafted to sit in constitutions of both STDC and TVCA. To include level of involvement of LA associate member on relevant Board to provide check and balance.	Amended constitution to be approved by TVCA / STDC Board.	TVCA MO
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.	The Working Group agreed that this is partly consequential – with a need for amendments to the Constitution in due course. It is understood that there is a need to be clear about what a Key Decision is. A review of Delegated Decisions will be carried out and an understanding of how these delegated decisions are reported back to the Board.	Constitutional amendment to TVCA / STDC constitution to ensure the appropriate recording of Key Decisions taken under delegation. To be endorsed by SOWG following proposal by MOs.	Amended constitution to be approved by TVCA / STDC Board	TVCA MO
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.	Working Group agree a proposal that the TWL audited accounts come to Cabinet once a year. Consideration will be given as to how TWL reports to STDC as a shareholder. Group will consider what constituent authorities means in this context. Working Group to propose that there is a relevant constituent authority for the relevant DC. Standing Item on Chief Execs Group to feed in with briefing from the relevant Chief Exec.	Protocol to be developed in STDC constitution to (a) Require TWL accounts to be presented to STDC Board and TVCA Cabinet annually; and (b) Clarify the role of LA associate member and allow for reporting to other LAs annually through existing TVCEX group. Proposed constitutional amendments to be endorsed by SOWG.	Amended constitution to be approved by STDC Board.	TVCA MO

ITEM	RECOMMENDATION	COMMENTARY	ACTION / PARTIES INVOLVED	OUTPUT	LEAD
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.	Discussed the role of the Chair. Clarify post or individual when it comes to some appointments. Role of associate members – codify role. Propose a recommendation re the skills of the Board. Skills audit. Full biographies of those proposed to Cabinet, provided to Cabinet. Noted the need to ensure the Board's skills are appropriate to meet the needs of the Development Corporation.	Produce a skills table for the Board to be agreed by SOWG and recommended for approval to TVCA Cabinet.	Amended constitution to be approved by TVCA.	TVCA CEO
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.	Agreed that Monitoring Officers will consider format of Board Reports and report back to the working group.	MOs to provide template for SOWG consideration.		TVCA MO
18	Any oral advice and supporting presentations should be made publicly available (where possible) to support the decision record.	It was agreed that oral advice and presentations at Board Meetings will be recorded in minutes.	Future meeting action.		TVCA MO
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.	It was agreed that training for STDC / TVCA members on conflicts of interests and declarations of interest will be provided.	TVCA MO to organise.		TVCA MO
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.	It was agreed that pre-agenda meetings would be considered to ensure that all those with an interest could be briefed.	SOWG to recommend pre agenda meetings for TVCA Cabinet. SOWG to recommend pre agenda meeting for Leader / CEX of RCB before each STDC Board.	Amended constitutions to be approved by TVCA / STDC Board.	TVCA MO

ITEM	RECOMMENDATION	COMMENTARY	ACTION / PARTIES INVOLVED	OUTPUT	LEAD
21	STDC should articulate and document the agreed arrangements with the JV partners in a single document.	It was agreed that a full 'bible' of all contractual documentation be produced with a timeline alongside.	Discussions with external legal advisers as to how this is undertaken.		TVCA MO
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.	It was agreed that JG will write to TWL in due course.	STDC CEO to write to JV to negotiate how this is achieved.	Letter and response to come to STDC Board / TVCA Cabinet for consideration.	TVCA CEO
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.	Dependent on recommendation 22.	As 22	As 22	TVCA CEO
24	All STDC recruitment be subject to fair, open, and transparent processes.	Agreed. Will be recorded in a Policy or similar.	Recruitment policy to be updated and shared with Board.	Policy to be approved at STDC Board.	TVCA CEO
25	The STDC executive regularly review operations on site to ensure JV Partner activity is not incurring risks and liabilities for STDC.	Noted and agreed. STDC to consider TWL input on site, into procurement activities, financing etc and report back to the Working Group.	Quarterly reporting to STDC Board to be shared with TVCA if its position changes. To be incorporated into MTFP report annually for both STDC and TVCA.	STDC Board reports TVCA Cabinet reports	TVCA FD
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.	Agreed. Noted improvements in FOIs. FOI policy will be brought to the Working Group.	SOWG too be briefed on policy and processes in place. Recommendations to changes to be approved by STDC Board / TVCA Cabinet.	STDC Board Reports / TVCA Cabinet reports	TVCA MO

ITEM	RECOMMENDATION	COMMENTARY	ACTION / PARTIES INVOLVED	OUTPUT	LEAD
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.	Agreed. GM will review and report proposals to Working Group.	Report to SOWG	Board / Cabinet report of any proposed changes.	TVCA FD
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.	Agreed. GM will review and report proposals to Working Group.	Report to SOWG	Board / Cabinet Report of any proposed changes.	TVCA FD
	RECOMMENDATIONS FOR HMG				
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.	Working Group agreed that this will require clarity from Government but Acting Monitoring Officer for STDC will share KC Advice received by STDC on the subject, with the Monitoring Officers in the Working Group for initial review and then with the wider Working Group.	STDC Board update to be produced to take account of latest position on schemes. STDC MO to share KCs advice when finalised.	STDC Board report. Financial implications to be built into model in 3 above and shared as part of reporting to TVCA Cabinet / STDC. Legal advice to be shared with STDC Board / TVCA Cabinet.	TVCA FD / TVCA MO

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.	<p>Working Group agreed that clarity is required from HM Government.</p> <p>Monitoring Officers in the Working Group will review:</p> <ul style="list-style-type: none"> - current Reserved Matters - Counsel's advice in relation to TVCA Overview & Scrutiny and its relationship with STDC. <p>The Monitoring Officers to then report back to the Working Group.</p>	Awaiting clarification from HMG.		TCVA CEO
	RECOMMENDATIONS FOR LOCAL AUTHORITIES				
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.	Cabinet members shall seek advice from their own statutory officers ahead of Cabinet meetings.	Cabinet papers to be available to statutory officers in CEX meeting month before Cabinet as currently but codified into constitution. CEX to share with their other SOs	Amended constitution to be approved by TVCA / STDC Board.	TVCA MO
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.	Statutory officers of Constituent Authorities should familiarise themselves of the statutory context of STDC and TVCA . STDC / TVCA can provide initial briefing notes to assist, as required,.	<p>As 14 above</p> <p>STDC / TVCA officers to run briefing session for leaders and SOs of Las.</p>		TVCA MO