



James Blythe
*Deputy Director, Local Government
 Stewardship and Interventions*

**Ministry of Housing,
 Communities &
 Local Government**
 4th Floor, Fry Building
 2 Marsham Street
 London SW1P 4DF

www.gov.uk/mhclg

Tom Bryant
 Chief Executive
 Tees Valley Combined Authority

3 April 2025

Tees Valley Combined Authority best value notice issued on 3 April 2025

Dear Tom,

The department expects authorities to identify and implement arrangements to secure continuous improvement. We are grateful for the letter sent by Lord Houchen on 27 September 2024 updating the department on the work the Tees Valley Combined Authority (TVCA) and local partners have been doing to address the recommendations identified in the January 2024 report of the independent Tees Valley review. However, ministers are concerned as to the authority's capacity to comply with its best value duty under the Local Government Act 1999 and have therefore decided to issue TVCA with this best value notice ("notice").

This notice is a formal notification that the department has concerns regarding your authority and requests that the authority engages with the department to provide assurance of improvement. The department expects authorities that have been issued with a best value notice to continue leading their own improvement.

This notice is issued to TVCA following concerns highlighted by the Tees Valley review published on 29 January 2024 and the request from the then Secretary of State for the department asking the Mayor to engage with the review's recommendations. It also considers:

- the subsequent reviews of overview and scrutiny undertaken by the Centre for Governance and Scrutiny (CfGS) and the internal audit undertaken by the Chartered Institute of Public Finance and Accountancy (CIPFA) commissioned by the combined authority
- the Mayor's letter to the department dated 27 September 2024
- the evidence already submitted by the authority to the department regarding their actions and plans to address issues raised by all three reviews
- the published audit reports for TVCA and South Tees Development Corporation covering financial years 2021/22 and 2022/23 which rely on the findings of the Tees Valley Review and identify significant weaknesses in value for money arrangements across financial sustainability, governance and improving economy, effectiveness and efficiency
- the published audit reports for TVCA and South Tees Development Corporation for financial year 2023/24 which identify significant weaknesses in use of resources in relation to the Tees Valley Review and capacity in the finance and risk & assurance

teams and indicate that the auditor is considering issuing statutory recommendations in relation to these capacity issues.

The department's concerns relate primarily to governance, culture, partnerships and continuous improvement. We note that the authority engaged constructively with the Tees Valley review and is already taking steps to address the concerns raised. We also recognise that the appointment of an external Local Government Association (LGA) panel will provide valuable support and challenge as the authority continues to improve. We expect this improvement to continue at pace, with robust arrangements to monitor and assess it.

Specifically, we expect the authority to:

- Develop a clear, overarching and holistic improvement plan. This may include or draw upon improvement or action plans prepared before the date of this notice. This plan should be agreed by officers and members at the authority within three months of the date of this notice. The plan should:
 - address all recommendations from the independent Tees Valley review and reports produced by CfGS and CIPFA;
 - include milestones and measures of impact across all elements to enable transparent reporting of progress to Cabinet, the overview and scrutiny committee, and the LGA panel;
 - include specific focus on improvements to the effectiveness of the overview and scrutiny function at the authority;
 - set out how the authority will make and measure the cultural and relationship changes necessary to make a success of structural and procedural changes to governance and scrutiny in the authority; and
 - be regularly updated to take account of future recommendations from external auditors, other external scrutiny and reviews, and other relevant matters arising during the notice period.
- Review the composition and scope of the LGA panel, in particular to consider:
 - strengthening the panel's emphasis on governance, commercial expertise and officer capabilities
 - embedding the panel's involvement in live issues at TVCA, such as the appointment of a new permanent Chief Executive
 - developing the panel's terms of reference to include public reporting of its work and assessment of TVCA's progress at regular intervals.
- Engage fully with the recommendations made by the LGA panel.
- Have appropriate mechanisms in place to ensure the authority is informed on updates to government guidance or legislation and can demonstrate how the authority is responding effectively to relevant changes.
- Engage regularly with the department at official level throughout the period of this notice, on at least a quarterly basis.

The department will look to the LGA panel and your external auditor for updates and broader assurance that the necessary changes are being made at sufficient pace.

We are conscious that this decision will have implications for the authority's progress towards Enhanced Mayoral Strategic Authority status and the granting of an Integrated Settlement. We are committed to removing barriers to growth in the region and will continue to work closely with you to rebuild confidence, so that the authority can continue its journey towards further devolution. The issuance of this best value notice represents the government's commitment to the future success of the authority.

While the authority may continue to receive and be awarded government funding whilst under this notice, we would emphasise that receipt of funding does not indicate the department's

broader view of the performance of the authority, nor would it indicate any change in the status of this notice, with individual funding programmes being managed and assured independently by their respective departments.

Embedding change across the organisation and ensuring that it is having the desired, long-term impacts is likely to take time and will require sustained effort from both officers and members at TVCA. This notice will be reviewed after 12 months, at which point the department will confirm whether we deem it necessary to continue to seek assurance through such a notice, in which case it will remain in place. The notice may also be withdrawn or escalated at any point based on the available evidence.

This notice is issued outside the statutory powers held by the Secretary of State under the Local Government Act 1999 to inspect or intervene in local authorities where there is evidence of best value failure and, separately, under Section 230 of the Local Government Act 1972 to request information from local authorities. However, a failure to demonstrate continuous improvement may be judged to contribute to best value failure and the Secretary of State will consider using these powers as appropriate. I also intend to keep the content of this notice under review in light of any developments.

It is important to ensure transparency in relation to the challenges faced by local authorities and the department's engagement on these. A copy of this notice will therefore be published on GOV.UK. I encourage you to make a copy of this notice available on the authority's website, and to share it with the LGA panel, the combined authority cabinet and the audit and governance committee. In line with this, we will notify your external auditor of this action.

I would encourage you to continue making use of the full range of support offered by the LGA. A member of my team will be in touch with you to arrange regular engagement on this notice. I look forward to receiving updates on your progress.

Yours sincerely,

James Blythe

Deputy Director, Local Government Stewardship and Interventions