

## **Public Questions**

### **South Tees Development Corporation Board**

**18 July 2024**

*Agenda item 4 of the STDC Board meeting on 12 March 2024 concerned financing for remediation. At its meeting of 12 March 2024, the Board gave the following Delegations: 1. to the Monitoring Officer in consultation with the Mayor, the Group Chief Executive and Group Director of Finance and Resources, the authority to finalise the legal agreements.*

<b>1</b>	<b>Have the legal agreements with TWL been finalised and have legally binding contracts been signed by them?</b>
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	Yes – agreements have been signed, and completed to be legally binding, on 17 July 2024.
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*A key part of the agreement that transferred a further 40% of ownership from STDC to the private sector interest in TWL, was the agreement for TWL to take on the cost of the future funding in respect of the remediation of the site beyond South Bank and Dorman Point which were retained as an STDC responsibility as part of the change in the Joint Venture arrangements with Teesworks Limited.*

<b>2</b>	<b>Does this mean, despite these sites being very lucrative to TWL (circular fuels at Dorman Point) STDC remain responsible for remediation costs?</b>
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	No – notwithstanding the Site Preparation Works Agreement (referred to in our response to question 1 above) Teesworks Ltd remains responsible for funding remediation costs at tenant sites. The legal agreements provide that all expenditure of STDC will be recovered from Teesworks Limited together with interest at an appropriate rate.
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<b>3</b>	<b>This appears contradictory to your statement</b>
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	In 2019, STDC received the Government funding in order to commence early remediation on the site. A small proportion of this remediated land now sits on the proposed Circular Fuels site. The majority of the Circular Fuels site remains unremediated and will be remediated at Teesworks Limited's expense.
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<i>A small proportion of the CFL site has already been remediated, on validation of their planning permission and completion of FID the lease conditions pass across to the Joint Venture (JV) to complete the remaining remediation ready for development.</i>	
<b>4</b>	<b>Who exactly is responsible for remediating the land at Dorman Point that it is proposed CFL will occupy?</b>
	Teesworks Ltd is responsible for funding the remediation at the CFL site. STDC is contracting the works funded by Teesworks Ltd in line with the operating model approved at STDC Board on 16 March 2023.
<p><i>All borrowing will be incorporated within the overall STDC financial model and repayments made in line with the TWL agreement (i.e. 3 months post completion of remediation works) therefore ensuring cashflow is managed accordingly. The use of business rates to service this debt is not envisaged given the timeframes for accessing funds from TVCA and subsequent repayment periods from TWL to STDC.</i></p> <p><b>This is not in line with the business rates paper presented in last December's meeting which outlined that business rates would be used to borrow against. The chair was very clear in his recent letter to Sir Keir Starmer regarding the level of business rates that have been generated. You now acknowledge that the business rates will not be available given the time frames.</b></p>	
<b>5</b>	<b>When exactly will business rates start to be realised?</b>
	The borrowing text referred to above is entirely in line with the STDC Board approved operating model. There are two main categories of funding for the site. Category 1 – STDC obligations which are funded from borrowing that is repaid from business rates. Category 2 – Teesworks Ltd obligations for funding remediation on plots across the site funded as set out in the scenario for the answer to Question 4 above. For information - Business rates are due once a facility is operational.
<b>6</b>	<b>What is the breakdown by tenants/businesses/occupiers with time frames for each and monetary value attributed to each?</b>
	Individual tenant/business/occupier information is commercially sensitive and is not information for STDC to share.
<p><i>The Chief Executive of South Tees Development Corporation is also the Chief Executive of the Tees Valley Combined Authority. The s73 Officer of South Tees Development Corporation is also the s73 Officer of the Tees Valley Combined Authority. The Acting Monitoring Officer of the South Tees Development Corporation is also the Acting Monitoring Officer of the Tees Valley Combined Authority. The Chair of South Tees Development Corporation is also the Chair of the Tees Valley Combined Authority Cabinet. The Decision</i></p>	

*makers have considered the presence of any perceived conflict of interest when making this decision. The activities funded pursuant to the legal agreement in respect of this decision is provided by the Tees Valley Combined Authority. The borrowing required to fund the proposal under this decision will remain within the borrowing limits already approved. Under the proposed arrangement, STDC is relying on Teesworks Limited to repay the costs incurred through remediation, in order to repay the borrowing.*

<b>7</b>	<b>Could you explain what this means?</b>
	<p>In this Delegated Decision Record, it is good practice and for the purposes of good governance that the decision makers to whom this decision was delegated identify any 'perceived' and 'actual' conflicts of interests they may exist as part of that decision.</p> <p>A perceived conflict of interest is defined as an interest that a 'reasonable person' would consider may exist. An actual conflict of interest is a conflict of interest that the relevant decision maker believes exists. Once recorded, this then enables the decision maker to decide whether or not it is appropriate for the relevant decision to be made with any identified conflict subsisting.</p> <p>As noted in the Delegated Decision, the Chief Executive, s73 Officer and Acting Monitoring Officer are the Statutory Officers of STDC and also of Tees Valley Combined Authority. STDC and Tees Valley Combined Authority are separate public bodies, yet there are links between them. As such, the Statutory Officers responsible for making the decision are required to consider any conflict of interest they may have as part of that decision making process.</p>
<b>8</b>	<b>Where and when did the 'decision makers' consider conflict of interest?</b>
	Decision-makers consider this as part of the decision-making process and document their consideration as part of the decision-making process for openness and transparency.
<b>9</b>	<b>Which committee/element/officers of TVCA are you referring to and what did they 'provide'?</b>
	Please provide further detail and context of what this question relates to.
<b>10</b>	<b>Do you consider 'Relying' on TWL to repay the costs a sound business model which provides assurance regarding proper use of public funds?</b>
	Yes - The business model is in line with funder models whereby should Teesworks Ltd fail to repay the funds the option Teesworks Ltd have for the land will be revoked

	and STDC will control the area of land which has been remediated, with the ability to secure tenants as it requires.
<i>Progress in relation to each recommendation is as follows: Recommendation 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 – COMPLETE</i>	
<b>11</b>	<b>What was agreed regarding how business rates were to be split between TVCA, STDC and Redcar &amp; Cleveland Council?</b>
	<p>Recommendation 2 of the Tees Valley Review refers to agreeing the use of the STDC's 50% retained Business Rates.</p> <p>The overarching split of the business rates is 50% TVCA and 50% Redcar and Cleveland Borough Council. This was agreed as part of the original business case to HM Government.</p>
<b>12</b>	<b>What was agreed regarding the use of the business rates?</b>
	TVCA Cabinet approved the STDC Regeneration Business Case detailing the use of business rates to repay STDC borrowing and operational costs in respect of its obligations on site. The use of business rates above these costs are for TVCA Cabinet to determine providing that any such use is for the benefit of the red line area (this is the STDC boundary area as set out in legislation).
<b>13</b>	<b>Who agreed that business rates retained by RCBC had to be used to deliver Freeport objectives? (agenda item 7 : Report to Teesside Freeport Governance Board, 1<sup>st</sup> December 2023. Report on Freeport Business rates).</b>
	This was agreed with Government as part of the Freeport Business Case. It relates to the 50% business rate retention RCBC achieves as a result of the Wilton Tax Site within the Freeport. The other 50% that RCBC receives as Local Authority pursuant to business rate legislation, is unfettered and can be used in the same way as other business rates.
<b>14</b>	<b>Was Lord Houchen deliberately misleading the public when he said in an interview with Teesside Live on 1<sup>st</sup> June 23 "STDC keep the 50% that was to go to London, the council keep their 50%. The council will then reinvest that in services"?</b>
	This is a question for Lord Houchen. STDC cannot speak for Lord Houchen.

<b>15</b>	<b>Is the leader of Redcar &amp; Cleveland Council comfortable that the business rates have to be used for Freeport activities and not in services as described by Lord Houchen?</b>
	This is a question for the Leader of Redcar and Cleveland Borough Council.
<i>Recommendation 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 – COMPLETE</i>	
<b>16</b>	<b>What evidence do you have that this is complete? Please provide the agreed protocol &amp; code of conduct.</b>
	This update refers to the work to produce the proposed solutions for this recommendation. The work is complete and will be subject to review and approval of TVCA Cabinet and STDC Board respectively alongside all of the recommendations. The work produced will be published as part of this recommendation.
<i>Recommendation 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 – CONSEQUENTIAL TO 21.</i>	
<b>17</b>	<b>Why is the consequential to 21? We were led to believe the CEO Julie Gilhespie had already written to the JV partners regarding negotiating a better settlement for taxpayers.</b>
	This is consequential as it is based on work from other review recommendations to inform the activity for this recommendation. As part of their work on recommendation 21 the independent legal advisers have been asked to provide details of any areas where they believe there is an opportunity to renegotiate the terms of any of the agreements. This work is expected to be completed by the end of July and any areas that they consider could be capable of renegotiation will be included in the letter to the JV partners.
<b>18</b>	<b>Please provide their response.</b>
	Due to the response being commercially sensitive, we will not be providing an answer to this question.