



Department for Levelling Up, Housing & Communities

Rt Hon Michael Gove MP

*Secretary of State for Levelling up Housing &
Communities*
Minister for Intergovernmental Relations
2 Marsham Street
London
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Clive Betts MP
Chair, Levelling Up, Housing and Communities
Committee
House of Commons
London
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24 May 2023

Dear Clive,

I am writing to set out the approach the Government is taking given the continued speculation around the work of the South Tees Development Corporation (STDC) and the Teesworks joint venture.

The Tees Valley Mayor approached Government some time ago regarding the possibility of an independent review of STDC and Teesworks. He raised concerns regarding the allegations made in Parliament by Andy McDonald MP of 'dubious dealings' and 'industrial-scale corruption'. The Mayor was, understandably, particularly concerned about the damaging effects that these allegations could have on investment and job creation across Teesside.

My colleague, the Minister for Levelling Up, explained in her letter of 17 May to Andy McDonald MP that the Department has seen no evidence of corruption, wrongdoing, or illegality. This is still the case.

As you of course know, those working in the public sector, and in particular in local government, have a clear duty to achieve value for taxpayers as they deliver services to the public. I have powers, as Secretary of State, to require an inspection if I consider that there is evidence that a local authority may be failing its relevant legal duties.

Since 2020, my Department has taken significant and decisive action on a range of authorities (for example Slough, Croydon, Liverpool, and Thurrock) where there was clear evidence that the best interests of taxpayers were not being served. In this case, I have not been advised of the existence of any evidence that would, if I apply usual thresholds, trigger an intervention from me as Secretary of State. As Secretary of State, I have also acted to censure authorities for failings and shortcomings relating to housing standards and planning performance. I will continue to act, and to intervene to protect taxpayers, where appropriate.

I recognise, however, that the continued allegation of 'corruption' poses a very real risk to the delivery of jobs and economic growth in Teesside. In this context, I understand why the Mayor would want to invite further, independent scrutiny and I welcome his willingness to do so through a 'relevant body'. I have reflected carefully on the choices available.

I have considered calls for such an investigation to be led by the National Audit Office (NAO). It is not, however, the NAO's role to audit or examine individual local government bodies and its powers would not normally be used for that purpose. I do not think it would be appropriate to expand so significantly the role of the NAO by asking them to lead this inquiry. Nonetheless, I would welcome the NAO updating its review of Government's funding arrangements for STDC. My Department is

writing to the Comptroller & Auditor General on this basis, and I have included a copy of this correspondence.

As you know, the Government is establishing the Office for Local Government (Oflog) so as to improve the accountability for performance across the local government sector, including over spending. Lord Amyas Morse, former Comptroller & Auditor General of the NAO, has been announced as Oflog's interim Chair, and we will shortly be announcing an interim Chief Executive. I will be setting out more details about Oflog's work in the coming weeks.

In parallel, the Government has been clear about the importance of accountability and scrutiny for areas with devolved powers. The English Devolution Accountability Framework, published this March, sets out the ways in which we expect Mayoral Combined Authorities to make themselves accountable to both the public and Government. The forthcoming Scrutiny Protocol, which we are developing with MCAs, will set out how we expect such bodies to create a sustained culture of scrutiny. Finally, where we have deepened devolution to Greater Manchester and West Midlands, we have agreed additional scrutiny measures to reflect the increased responsibilities being devolved. Our overall approach is that accountability for local government will primarily rest locally, given the democratic mandate of local leaders from their local electorate. Oflog will in due course help support effective local scrutiny, including in circumstances like these. It is not however formally established and therefore is not yet in a position to assist in this situation.

Given the importance to Teesside of addressing this matter, I have taken the exceptional decision to support the commissioning of an independent review to consider the specific allegations made and TVCA's oversight of the STDC and Teesworks joint venture. As set out above, this is not because I am advised that there is evidence to recommend such a review, but to answer the Mayor's understandable request. I will appoint a Panel, in line with established practice, to undertake an independent, external assurance review.

If you or your Committee Clerks would welcome further information on the approach we are taking, we would be happy to arrange a discussion with relevant officials.

Since serious allegations of corruption, wrongdoing and illegality have been made, I will ask the Panel to address these accusations directly, and to report on the governance arrangements at STDC including how decisions are made, as well as looking at the value achieved for the investment of public money on the site. I will publish detailed terms of reference shortly. I will invite any interested party, including Members of Parliament, to make representations to the Panel as part of their evidence gathering. The report and any recommendations will of course be published in line with usual practice.

I am copying this letter to Darren Jones MP, Chair of the Business and Trade Select Committee, following his correspondence to me of 22 May 2023.

With every good wish,

A handwritten signature in black ink, reading "Michael Gove". The signature is fluid and cursive, with the first name "Michael" written in a larger, more prominent script than the surname "Gove".

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