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Dear Liam

Thank you for your letter of 18 March 2024 and the questions posed to help the Business and Trade Committee finalise its inquiry on Investment Zones and Freeports. I answer your questions in turn below and before doing so I think it is important to be clear about the remit of the review, the terms of reference of which were included in Appendix A of the Panel's report. While the review arose from a number of allegations of corruption, wrongdoing and illegality, the terms of reference required the Panel to provide an assessment of the governance arrangements and how decisions are made. There was no provision for the Panel to form a judgement on the decisions made.

Evidence

1. There were many decisions taken by TVCA/STDC within the purview of our review. We necessarily narrowed these down to those decisions we felt were most relevant to the terms of reference. Through exploring those key decisions as set out in paragraph 4.3 of our report, we consistently came to the same conclusion about the decision making processes in respect of the governance and finances of the organisations. We do not believe that extending the review to include other decisions taken by TVCA/STDC would have led the Panel to reach different conclusions and therefore would not recommend that course of action.

- 2a. The Panel reached the conclusion that "...the systems of governance and finance in place within TVCA and STDC at present do not include sufficiency of transparency and oversight across the system to evidence value for money". We do not believe that examining either the dispute with PD Ports or Steel River Energy would have changed that view.

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- 2b. In respect of Recommendation 3, that “STDC update and maintain its financial model...”, we would expect this to apply to all business and commercial decisions, not simply those featured in our report, including implications from the PD Ports dispute and Steel River Energy. The financial model should be a live document and would typically be used to assist the Board and Cabinet in their decision-making processes by demonstrating what the impact of different decisions and options would have on the risk profile and finances of the organisation.
- 3a. TWL is a limited company and therefore governed by the Companies Act 2006. It is not bound by the same rules and regulations as a public body, however as set out in paragraph 10.12 of our report, the Panel would expect “...the public authority - STDC and TVCA - to ensure the appropriate checks and balances are in place.” These checks and balances would have been through the legal arrangements with TWL that are explored in the report, sections 14-17. These arrangements focused on transactions between TWL and STDC/TVCA rather than how TWL should conduct its business.
- 3b/c. The Panel did not review related party transactions or contracts awarded by TWL. In reality, no significant contracts had gone through TWL at the time of the review. Transactions are summarised in paragraph 5.2 of our report and are limited to the following, of which the first two bullets are covered in our report in some detail:
- the distribution of the proceeds of the sale of scrap metal to STDC by way of a service fee and to the JV Partners' company by way of a marketing fee
 - the transactions in relation to the GE/SeAH deal,
 - the sell back of aggregates to STDC, and
 - HMRC payments
- 3d. While the Panel did not review aggregates specifically, reference to this issue is included in the section on the Supplemental Deed v3 in paragraphs 16.31-16.36 of our report. The Panel did look at the arrangements for the sale of scrap and noted two internal audit reports that were largely complimentary about the controls in place.

Witnesses

- 4a. The Panel had no statutory powers. Our influence came from the convening power of the Secretary of State.
- 4b. As set out in paragraph 4.2 we confirmed that we had received answers to all our questions.

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5. We sought written evidence from the former monitoring officer and intended to invite him for interview as a key adviser to TVCA and STDC. His insights into the culture and general operations of the business would have been helpful. In particular, we wished to understand his view on the allegations and events that gave rise to the review being commissioned. We also wanted to understand the advice he gave in respect to a number of key decisions, particularly the move to JV 90/10, as well as the basis on which he formed his advice on the need for STDC to make referral decisions to TVCA Cabinet and the remit of TVCA overview and scrutiny over STDC/Mayoral decisions.

Independence

6. The draft report sent to the Department in November was part of the commencement of the Maxwellisation process. At that point our report was subject to ongoing consideration of the legislation underpinning the creation of STDC and its relationship with TVCA. As set out in paragraphs 6.8 and chapters 12 to 18, this has been interpreted differently on occasions and the Panel was keen to understand the intention of DLUHC officials when crafting the legislation. This point was clarified in our final report.

Recommendations 8 and 9 in our report were positioned as actions for the monitoring officer and recommendation 13 for the monitoring officer in consultation with the Chief Executive. In making these recommendations, the Panel accepted that the officers would need to take their conclusions and recommendations onto TVCA and in the case of recommendation 8, also STDC for final decision. The Department suggested that those recommendations should refer to TVCA and STDC rather than the officers, which the Panel accepted.

Inquiry

7. In terms of the specific allegations, the Panel's terms of reference were to undertake "An assessment of the robustness of local systems and operations to guard against any alleged wrongdoing....". This was not a forensic investigation and we saw no evidence to support illegality. Had we have seen any such evidence, we would have immediately ceased our review and handed the matter over to the police.
8. We are satisfied that the Panel had the competence, powers and time to fulfil the terms of reference for the review.

I trust this is helpful and will enable you to complete your Committee's work.

Kind regards



Angie Ridgwell
Chief Executive (lead Tees Valley review)

