



Department for Levelling Up, Housing & Communities

Rt Hon Michael Gove MP

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24 May 2023

Dear Ben,

Thank you for your letter of 16 May, about South Tees Development Corporation (STDC) and the Teesworks joint venture.

As you set out in your letter, you approached Government some time ago regarding the possibility of an independent review of STDC and Teesworks. You raised concerns regarding the allegations made in Parliament by Andy McDonald MP of ‘dubious dealings’ and ‘industrial-scale corruption’. You were 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 my Department has seen no evidence of corruption, wrongdoing, or illegality. This is still the case. Nonetheless, Opposition MPs have continued to call for an ‘inquiry’.

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 our shared ambitions to deliver jobs and economic growth in Teesside. In this context, I understand why you want to invite further, independent scrutiny and I welcome your 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.

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 overspending. 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 (MCAs) to make themselves accountable to both the public and Government. The forthcoming Scrutiny Protocol, which we are developing with your organisation and other 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 at this point formally established and therefore is not yet in a position to assist in this situation.

Given the importance to you and 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 Tees Valley Combined Authority'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 your request of 16 May. I will appoint a Panel, in line with established practice, to undertake an independent, external assurance review.

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.

A copy of this letter will be placed in the House of Commons Library.

With every good wish,

A handwritten signature in black ink that reads "Michael Gove". The signature is written in a cursive, slightly slanted style.

Rt Hon Michael Gove MP
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