

Date: Tuesday 23rd February 2021, at 2.00pm

Venue: Microsoft Teams meeting

Membership:

Mayor Ben Houchen (Tees Valley Mayor)
Paul Booth OBE (Chair, Tees Valley Local Enterprise Partnership)
Cllr Mary Lanigan (Leader, Redcar & Cleveland Borough Council)
Mayor Andy Preston (Mayor of Middlesbrough)
Sir Alan Cockshaw (Independent Member)
Steve Gibson OBE (Independent Member)
Graham Robb (Independent Member)
David Smith (Independent Member)
Jacob Young MP (Independent Member)
Julie Gilhespie (Group Chief Executive TVCA, STDC)

Associate Membership:

Tom Smyth (BEIS)
John Sampson (MD, Redcar & Cleveland Council)

Agenda

1. Welcome & Introductions

2. Apologies for Absence

3. Declarations of Interest

4. Minutes from previous meeting

Attached

5. Chair's Update

Verbal Update

6. Approval to procure and award contracts for various commissions exceeding the current scheme of delegation thresholds for Chief Officers

This item is not for publication by virtue of paragraph 3 of schedule 12A of the Local Government Act 1972

7. Site Access Dispute

This item is not for publication by virtue of paragraphs 3, 5 and 7 of schedule 12A of the Local Government Act 1972

8. Tees Valley Freeport Bid

Attached

9. Date and Time of Next Meeting

TBC

Members of the Public - Rights to Attend Meeting

With the exception of any item identified above as containing exempt or confidential information under the Local Government Act 1972 Section 100A(4), members of the public are entitled to attend this meeting and/or have access to the agenda papers.

Persons wishing to obtain any further information on this meeting or for details of access to the meeting for disabled people, please contact: Sharon Jones, Governance & Scrutiny Officer, Sharon.jones@teesvalley-ca.gov.uk. 01642 524580.

South Tees Development Corporation Declaration of Interests Procedure

1. The purpose of this note is to provide advice and guidance to all members of the Development Corporation Board and Audit & Risk Committee on the procedure for declaring interests. The procedure is set out in full in the Development Corporation's Constitution under the "Code of Conduct for Members" (Appendix 3).

Personal Interests

2. The Code of Conduct sets out in full, the principles on the general conduct of members in their capacity at the Development Corporation. As a general principle, members should act impartially and should not use their position at the Development Corporation to further their personal or private interests.
3. There are two types of personal interests covered by the Constitution:
 - a. "disclosable pecuniary interests". In general, a disclosable pecuniary interest will involve any financial interests, such as paid employment or membership of a body, interests in contracts, or ownership of land or shares. Members have a pecuniary interest in a matter where there is a reasonable likelihood or expectation that the business to be considered will affect your well-being or financial position, or the well-being or financial position of the following persons:
 - i. a member of your family;
 - ii. any person with whom you have a close association;
 - iii. in relation to a) and b) above, their employer, any firm in which they are a partner, or a company of which they are a director;
 - iv. any person or body in whom persons described in a) and b) above have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or
 - v. any body as described in paragraph 3 b) i) and ii) below.
 - b. Any other personal interests. You have a personal interest in any business of the Development Corporation where it relates to or is likely to affect:
 - i. any body of which you are a member (or in a position of general control or management) and to which you are appointed or nominated by the Development Corporation;
 - ii. any body which:
 - exercises functions of a public nature;
 - is directed to charitable purposes;
 - one of whose principle purposes includes influencing public opinion or policy (including any political party or trade union) of which you are a member (or in a position of general control or management).

Declarations of interest relating to the Councils' commercial role

4. Financial relationships between the Development Corporation and individual councils do not in themselves create a conflict of interest for Council Leaders who are also Development Corporation Board members. Nor is it a conflict of interest if the Development Corporation supports activities within a council boundary. Nevertheless, there are specific circumstances where the Board may consider entering into direct contractual arrangements with a council, for example in relation to a particular commercial investment project, or in which that council is a co-funder. In these circumstances a non-pecuniary declaration of interest should be made by the Council Leader or their substitute.

Procedures for Declaring Interests

5. In line with the Code of Conduct, members are required to adhere to the following procedures for declaring interests:

Register of Interests

6. Each member is required to complete a register of interests form with their personal interests, within 28 days of their appointment to the Development Corporation. If no declaration is received from elected members within 28 days the matter may be referred to the Head of Paid Service of your local authority and Leader of the political group you represent on your council for action. If a Declaration is not submitted within an appropriate timescale you may be prevented from attending committee meetings. Details of any personal interests registered will be published on the Development Corporation's website, with the full register available at the Development Corporation's offices for public inspection. The form will be updated on an annual basis but it is the responsibility of each member to notify the Monitoring Officer of any changes to the register throughout the year. Notification of a change must be made to the Monitoring Officer within 28 days of becoming aware of that change.

Declaration of Interests at Meetings

7. The Development Corporation will include a standing item at the start of each statutory meeting for declaration of interests. Where members are aware that any of their personal interests are relevant to an item of business being considered at a meeting they are attending, they must declare that interest either during the standing item on the agenda, at the start of the consideration of the item of business, or when the interest becomes apparent, if later.
8. Where members consider that their interest could be considered by the public as so significant that it is likely to prejudice the members' judgement then they may not participate in any discussion and voting on the matter at the meeting, but may attend the meeting to make representations, answer questions or give evidence relating to the business, before it is discussed and voted upon.
9. If the interest is a disclosable pecuniary interest (as summarised in paragraph 3a) then the member must leave the meeting room during discussion and voting on the item of business, but may make representations, give evidence and answer questions before

leaving the meeting room. Failure to comply with the requirements in relation to disclosable pecuniary interests is a criminal offence.

Sensitive Information

10. Members can seek the advice of the monitoring officer if they consider that the disclosure of their personal interests contains sensitive information.

SOUTH TEES DEVELOPMENT CORPORATION (STDC) BOARD

These minutes are in draft form until approved at the next Board meeting and are therefore subject to amendments.

Date: 27th January 2021

Time: 2 pm

TEAMS Meeting

Attendees:		Apologies:
Ben Houchen (Chair)	Tees Valley Mayor	Andy Preston, Mayor of Middlesbrough
Paul Booth	TV LEP	
Graham Robb	Recognition PR	
Sir Alan Cockshaw	Independent Member	
Jacob Young	Member of Parliament	
David Smith	Energy Networks UK	
Mary Lanigan	Leader, RCBC	
John Sampson	MD, RCBC	
Tom Smyth	BEIS, Interim Government Representative	
Julie Gilhespie	TVCA, STDC Group	
Gary MacDonald	TVCA, STDC Group	
John McNicholas	STDC	
Mike Russell	STDC	
Gerard Armstrong	STDC	
Chris Harrison	Joint Venture Partner	
Peter Judge	TVCA	
Sharon Jones (Secretariat)	TVCA	

No.	Agenda Item	Summary of Discussion	Actions Required	Responsibility
1.	Welcome and introductions	The Chair welcomed everyone to the meeting.		
2.	Apologies for Absence	Apologies were given as noted above. ML joined the meeting at Item 11.		
3.	Declarations of Interest	GR declared that Cleveland Bridge is a client of his company. JY declared an interest in Item 9 as Chair of the Heritage Taskforce. TS declared an interest in the Freeport discussion to take place after close of the formal meeting.		
4.	Minutes of previous meetings	The minutes of the meeting held on 25 th November 2020 were agreed as a true record.		
5.	Chair's Update	The Chair informed Members that the Freeport application will be submitted to Government on or before 5 th February. A verbal update will be provided to Members, for information, following the close of this meeting.		

6.	Group CEO Update	<p>A report was circulated from the Group CEO providing an update on key activity within STDC since the last meeting.</p> <p>Resolved that the report was noted.</p>		
7.	Governance & Appointments	<p>A report circulated was circulated summarising changes to membership of STDC committees which have taken place since the previous Board meeting.</p> <p>Resolved that the Board agreed to</p> <ul style="list-style-type: none"> • appoint the deputy leader of both Middlesbrough Council and Redcar & Cleveland Borough Council to the Board to attend and vote in the absence of their leader. • The updated TOR for Group Audit and Risk Committee which reflect that the VC is to be appointed from the nominated members. Previous ToR stated that the VC must be a Non-Executive Director of the Board. 		
8.	Finance Update	<p>A paper was circulated providing a Finance and Medium-Term Plan update.</p> <p>TS advised that Legislation has been laid for an affirmative order on The Non-Domestic Rating (Designated Area) Regulations 2021 https://www.legislation.gov.uk/ukdsi/2021/9780348218862</p> <p>Resolved that the Board agreed to</p> <ul style="list-style-type: none"> • Note the finance update provided • Endorse the updated medium-term plan for the three years to 31 March 2023 		

<p>9.</p>	<p>Heritage Taskforce Report</p>	<ul style="list-style-type: none"> • A report was circulated providing recommendations from The Teesworks Heritage Taskforce. • It was suggested that Natural England & Tees Valley Nature Partnership should be included in the working Partnerships as detailed in the report. • It was noted that there is still more work for the Taskforce to do regarding some of the recommendations in the report. It is important that the Heritage of the site is reserved as far as possible. Once developed, a Strategic Plan from the Heritage Taskforce will be brought back to Board for consideration. <p>Resolved that the Board agreed.</p> <ul style="list-style-type: none"> • that the Blast Furnace be dismantled • that a plan is put in place to identify and record what materials and artefacts of industrial architecture from the Blast Furnace should be salvaged to create one or more Blast Furnace memorials or displays on the Teesworks site and/or at other locations, but not at the current location of the Blast Furnace • that work on assessing the future of the Dorman Long coal bunker aka ‘Dorman Long Tower’ at South Bank as a potential retained built asset on the site be continued and following this further work, the Taskforce will make recommendation/s on this asset • that an assets recovery plan will be developed as soon as possible and put in place for the site to ensure that, as far as practicable, relevant and important artefacts are catalogued, archived appropriately and/or relocated to appropriate locations such as accredited archives and museums • that a clear strategic plan be developed with local communities which will be adopted by the Combined Authority to capture, record, recognise and share the cultural, economic and industrial heritage of the Teesworks site. 		
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		<ul style="list-style-type: none"> • that the STDC/TVCA explore the development of workable partnerships with key regional and national bodies including Historic England, Arts Council England and others as may be relevant. • that the Taskforce continues in its current form to enable it to oversee the implementation of any actions that may be triggered as a result of any of these recommendations and report further as necessary 		
10.	<p>Site EHS Management Update</p>	<p>The Chair proposed and Board agreed to pass a resolution to exclude the press and public under paragraph 3 of part 1 of schedule 12a of the Local Government Act 1972, in order to allow Board to consider matters of a commercially confidential nature.</p> <p>A report was circulated providing an update on the key EHS activity on the site since the last meeting.</p> <p>It was advised that once the newly constituted Site Company Board is in place then more detailed reports will be provided to STDC Board.</p> <p>An update was given on meetings that have taken place recently with HSE. JG provided HSE with a presentation detailing how the different companies will work together moving forward and the Group structure that is in place. The meetings went very well and HSE are satisfied with what is in place.</p> <p>PB advised that the demolition of the ammonia scrubbers is due to start in March. STDC are working closely with the police and HSE, and in line with Covid restrictions, to ensure that all requirements are met in advance of work starting.</p> <p>Resolved that the detail of the report is noted.</p>		

11.	Electricity Infrastructure JV Procurement Update	<p>A report was circulated providing an update on the procurement exercise to secure a joint venture (JV) partner for the electrical infrastructure project.</p> <p>Discussion took place around the following areas:</p> <ul style="list-style-type: none"> • Members were grateful to have further clarification and assurance regarding the JV and felt that all questions have been answered sufficiently. • PWN exclusivity – It was discussed and determined that matters regarding the PWN would be negotiation and discussion and will be agreed on a case by case basis and not enforced as a requirement of investors. <p>Resolved that the Board agreed to</p> <ul style="list-style-type: none"> • Option 4 as the best balance of risk and reward based on the further information now provided and the appointment of a preferred bidder • The delegation of all necessary legal, financial, commercial and related documentation to implement this transaction to the Chair in consultation with the Group CEO and Director of Finance and resources and the Monitoring Officer 		
		A discussion on Freeports took place following the close of the meeting.		
12.	Date & Time of Next Meeting	TBC		

AGENDA ITEM 8

REPORT TO THE STDC BOARD

23rd FEBRUARY 2021

REPORT OF THE GROUP CHIEF EXECUTIVE

TEES VALLEY FREEPORT BID

SUMMARY

The Tees Valley has submitted its bid to become home to a Freeport in order to deliver a meaningful and lasting boost to the region's economy through investment in key sectors including offshore wind, clean energy, chemicals and process, and advanced manufacturing.

If the bid is successful it will progress to the production of a full business case, with the first tax and customs incentives available from September 2021.

The bid is named Teesside Freeport.

RECOMMENDATIONS

It is recommended that the STDC Board:

- i. Notes the contents of this update report.
- ii. Nominates David Smith as STDC Board member to sit on the Teesside Freeport Board, should the board be constituted following a successful bid and completion of a satisfactory Business Case.

DETAIL

1. BACKGROUND

Freeports are secure customs zones located at ports where business can be carried out inside a country's land border, but where different customs rules apply. They can reduce administrative burdens and tariff controls, provide relief from duties and import taxes, and ease tax and planning regulations.

Typically, goods brought into a Freeport do not attract a requirement to pay duties until they leave the Freeport and enter the domestic market – and no duty at all is payable if they are re-exported. If raw materials are brought into a Freeport from overseas and processed into a final good before entering the domestic market, then duties will be paid on the final good. Freeports may also offer simplifications to the normal customs administrative processes on imported goods.

In early 2019, the Tees Valley Mayor submitted a policy paper to Government championing a Freeport in the Tees Valley, building on the recommendations of a 2016 policy paper by now Chancellor of the Exchequer Rishi Sunak MP. The

Government launched a public consultation on Freeports in February 2020, which concluded in July and for which a formal response was published in October.

2. **BIDDING PROCESS**

Up to ten Freeports will be awarded nationally, with the competition having closed on 5th February 2021. The winners are expected to be announced in the Spring.

The Government has designed a bespoke UK Freeport model aiming to achieve three objectives:

- a. establish Freeports as national hubs for global trade and investment across the UK
- b. promote regeneration and job creation
- c. create hotbeds for innovation

The Freeports outlined in the Government's bidding prospectus include a main Customs Zone, up to 600 hectares of Tax Zone(s), and the optional addition of one or more secondary Customs Zones. The main Customs Zone sits outside of the UK customs border, and offers simplified trade and customs procedures for companies within it. No two parts of the same Freeport may be more than 45km from each other. The Tees Valley bid is made up of three 200Ha Tax Zones, a Primary Customs Zone, and thirteen Secondary Customs Sub-Zones.

3. **PRIORITISATION OF SECTORS**

Analysis of the priority sectors in the Tees Valley Strategic Economic Plan (SEP) shows that a focus on clean technology, life sciences manufacturing, and the chemicals and process sector would yield the strongest bid for the region. The areas selected for tax incentives and the supporting customs sites fit with these sectors while maximising the overall economic benefit for the Tees Valley and wider UK.

4. **A HUB FOR GLOBAL TRADE**

The export orientation of the priority sectors included satisfies this first government criterion. The bid will seek to build on existing global strengths, creating new jobs in offshore wind manufacture, and bio/life science manufacture.

5. **REGENERATION AND LEVELLING UP**

The economic impact of the proposed freeport could lead to a significant boost for the Tees Valley economy. While direct benefits will primarily be concentrated in the Tax Zones, it is understood that up to a third of the impact will be felt in the wider region. The bid sets out how the TVCA would maximise and monitor the impact of a Freeport on deprived communities within its travel to work area.

6. **A HOTBED OF INNOVATION**

The Freeport Bid builds on existing centres of Innovation to support the bid's priority sectors - for example, Teesside University, Durham University, TWI, CPI and The Materials Processing Institute. Port-based innovation and Freeport related innovation will be facilitated by the creation of a HMRC Centre for Distributed Systems and a UK Freeports Observatory, both are included in the bid.

7. **GOVERNANCE AND MANAGEMENT**

The Freeport Board will be chaired by the Tees Valley Mayor and will have twelve members representing different aspects of the Freeport's operations.

Representatives of Local Authorities, landowners, Customs Zones, and ports will be part of the overall structure.

They will control a Freeport Business Plan, which will govern how inward investment, customs site integration and innovation support are managed. Each site operator has overall responsibility for its own site, while the marketing of Tax Zones will require strategic regional support.

As the Primary Customs Zone operator and largest landowner within the proposed Freeport, STDC will be asked to nominate a representative to sit on its board.

The bid envisages that the operational, security, and customs functions of the Freeport will be delivered by existing staff supported by third party delivery partners to be procured following approval of the business case.

The Freeport will utilise be represented by TVCA Cabinet at the Freeport Governance Body (FGB) complemented by representation from partners, with regular reporting to TVCA Cabinet. All funding will flow through TVCA ensuring our structure preserves the ability of all Tees Valley local authorities to be meaningfully accountable for the purposes of spending and managing public money.

The TVCA sits within an established legislative framework, including provisions for transparency, openness and public/political accountability. Funding is managed in accordance with our HM Government-approved TVCAAF. The TVCA Cabinet also includes Local Enterprise Partnership (LEP) representatives, ensuring a cross-section of private enterprise stakeholders from different sectors within the Tees Valley.

To ensure fully integrated and informed decision making, we propose to advise the FGB via three workstreams below designed to discharge the eight functions of the FGB as set out in the bid prospectus at paragraph 4.3.20:

- a. Strategy and accountability for public money – functions (e-g)
- b. Assurance and Compliance – function (h)
- c. Inward Investment and Innovation – functions (a-d)

The Chair of the FGB will be the Mayor of Tees Valley, building on the Mayor's existing leadership role across the Tees Valley in driving economic growth and regeneration.

Decision-making will take place at the FGB, with representation from across the six groups of stakeholders listed in the Bid guidance as essential effective personnel. TVCA will oversee assurance of the FGB activity via its TVCAAF, and the TVCA Cabinet will receive regular update reports on this activity.

8. THE FREEPORT BOARD

Our proposals cover a coalition of key stakeholders on each Governance workstream group in addition to the FGB with membership as follows: -

- 1 x Chair (Tees Valley Mayor)
- 1 x TVCA Cabinet representative (Leader of Redcar & Cleveland Borough Council)
 - Strategy and accountability for public money workstream lead
- 1 x STDC Board representative (Nominated by STDC Board)

- 1 x Local MP representative (Redcar MP)
- 1 x Private landowner representative (Sembcorp)
- 1 x Innovation representative & LEP Board Member (Nominated by Tees Valley LEP)
 - Inward Investment & Innovation workstream lead
- 1 x Operator representative of Customs Zones and Tax Sites (Primary Customs Zone Operator once procured)
- Assurance and Compliance workstream lead
- 5 x Ports Representatives (Port of Hartlepool (PD Ports), Port of Middlesbrough (AV Dawson), Wilton Engineering, Redcar Bulk Terminal, Able Seaton Port)

9. **PLANNING**

The bid sets out the planning environment on the Teesworks and Wilton sites and how this is supportive of development. Bids are encouraged to explain how they will make use of Local Development Orders, but in the case of the Tees Valley this is not deemed to be necessary.

10. **TAX INCENTIVE SITES**

The bid claims the full 600Ha Tax Zone allocation, as set out below.

a. **TEESWORKS WEST**

Developable land with a pipeline of investment in the Offshore Wind Sector and Green Steelmaking.

110Ha of employment land, which will provide 9,000 manufacturing jobs for the offshore sector, with an additional 3,000 storage and assembly jobs to be based on adjacent marshalling areas.

38Ha of undeveloped land will help to support the creation decarbonisation and upgraded production in the Steel Industry.

52Ha of additional developable land suitable for offshore wind or advanced manufacturing.

b. **TEESWORKS EAST**

200Ha of brownfield land, all of which can be ready for development at the beginning of the Freeports incentives window by avoiding the more difficult to remediate areas of the former steelworks. The land is partly owned by STDC and partly by Redcar Bulk Terminal.

. Land is suitable for materials processing, offshore wind, other advanced manufacturing and energy projects, and is directly adjacent to the Net Zero Teesside carbon capture and power plant.

c. **WILTON CHEMICALS COMPLEX**

200Ha of developable and underdeveloped land on the Wilton Chemicals Complex. This will be a Tax zone but not a Customs Zone.

11. **PRIMARY CUSTOMS SITE**

Each bid is required to designate a Primary Customs Site, which in the case of the Tees Valley is based on the west of South Tees Development Corporation (STDC)/Teesworks site and primarily supports the region's plans for offshore wind

manufacturing. In addition to the land in the Teesworks West Tax Zone, it includes the much of remainder of the developable land in the South Bank. The site will have its own quay and will benefit from its proximity to the PD Ports Teesport site.

12. Secondary Customs Sites

The bid will include a secondary customs zone on the East of the Teesworks site, coterminous with the Teesworks East Tax zone in some places, which subject to commercial demand will be used to support the export activities of projects in the Teesworks (Lackenby, The Foundry, and Long Acre) L and Redcar Bulk Terminal investment pipelines.

The bid also includes secondary customs sub zones at Tees Dock, the Port of Hartlepool, Wilton Universal (Port Clarence), Haverton Hill Shipyard, Port of Middlesbrough, LV Shipping, Able Seaton Port, three sites at Teesside International Airport, Liberty Steel, and two owned by the 2M Group.

FINANCIAL IMPLICATIONS

13. The bid details how Redcar and Cleveland Council, as the home of all of the Tax Zones, will benefit from retained business rates on these sites, as per the Special Economic Area and Enterprise Zone arrangements in place. This is subject to final confirmation at the business case stage if the bid is successful.
14. A share of £175 million from Government for capital funding is available to successful bidders, as well as limited revenue funding for set up costs. TVCA has made an indicative ask of circa £25 million capital funding as part of its bid.
15. If successful the Tees Valley bid will require funding for infrastructure, security and operations on the site, much of which is already part of the business plan for the Offshore Wind Cluster business case for the South Bank site and wider plans for the STDC site. Any costs not covered by existing funding mechanisms and Freeports-specific Government funding will be fully recouped through the Freeport's operational revenues. Full financial details of the project will be developed at the business case stage if the bid is successful.

LEGAL IMPLICATIONS

16. Whilst matters with legal implications are discussed in this report, this update report has no specific legal implications.

RISK ASSESSMENT

17. No serious risks are associated with the recommendations of this report.

CONSULTATION & COMMUNICATION

18. TVCA has consulted widely with relevant regional stakeholders in the process of developing its bid, and in the two years leading up to the Freeports competition opening. While developing the bid TVCA has engaged with business representative groups, specialist sectoral bodies, research and innovation organisations, local authority partners, the Statutory Harbour Authority (PD Ports), and a range of other stakeholders. In addition to direct engagement it commissioned WPI Economics to

conduct interviews with a number of relevant bodies, refreshing work the organisation did for TVCA in 2018 at the beginning of the development of its Freeport policy.

EQUALITY AND DIVERSITY

19. As part of the bid TVCA was required to set out the impact of the proposed Freeport on people with protected characteristics. The bid acknowledges that people with protected characteristics are underrepresented in the sectors the Freeport is intended to support and sets out practical and measurable steps to address this. As part of the bid, partner organisations and subcontractors were required to support TVCA's plans in this area, which will be fully developed should the bid be successful and progress to the business case stage.

Name of Contact Officer: Chris Rowell

Post Title: Innovation and Clean Growth Manager (TVCA)

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