MIDDLESBROUGH COUNCIL	

Report of:	Director of Finance and Transformation (s151 Officer) – Andrew Humble

Relevant Executive Member:	Executive Member for Finance – Cllr Nicky Walker

Submitted to:	Executive

Date:	12 November 2025

Title:	Tees Valley Investment Zone Memorandum of Understanding

Report for:	Decision

Status:	Public

Council Plan priority:	A successful and ambitious town

Key decision:	Yes
Why:	Decision(s) will incur expenditure or savings above £250,000 and have a significant impact in two or more wards

Subject to call in?	Yes
Why:	Non-Urgent Report

Proposed decision

That Executive:

- **APPROVES** the reinvestment of additional business rates income due to the Council, generated from growth within the Tees Valley Investment Zone - Middlesbrough Site, only in meeting the needs of the Priority Sectors. This approval is subject to assurances, required from TVCA, around the decision-making processes for projects the TVCA is responsible for.
- **ENDORSES** the Council's engagement in delivering the Tees Valley Investment Zone programme
- **DELEGATES** authority to the s151 Officer to finalise and authorise the draft Memorandum of Understanding (MoU) with the Tees Valley Combined Authority (TVCA)

Executive summary

Tees Valley Combined Authority (TVCA) has accepted the Government's invitation to establish the Tees Valley Investment Zone programme, backed by £80m of funding over 5 years, and at TVCA Cabinet on 28 March 2025 approved the Business Rate Retention

Strategy as proposed in the MoU. There are two defined sites within the Zone, one in Middlesbrough and one in Hartlepool, where additional business rates will be retained.

Government requires that a Memorandum of Understanding (MoU) is entered into by TVCA with each of the local authorities involved before releasing the funding and this sets out the principles and terms on which TVCA and the Council are to engage to deliver the objectives set out.

Substantial additional business rates income is anticipated to result from the programme, which by definition would likely not be generated without it, and so there would be low risk that the Council would be financially disadvantaged by undertaking to reinvest, as opposed to retaining increased business rates income in the normal way. The period which the arrangement would apply for is 24 years from 1 April 2025.

Whilst it is possible that increased business rates income may be received without entering into the MoU, the substantial gain for the town represented by the government funding provided through the Investment Zone would be lost.

1. Purpose of this report and its contribution to the achievement of the Council Plan ambitions

1.1 To seek approval for the Council to enter into an MoU with TVCA governing the operation of the Tees Valley Investment Zone - Middlesbrough Site and associated programme.

Our ambitions	Summary of how this report will support delivery of these ambitions and the underpinning aims
A successful and ambitious town	*Government grant funding invested through the Zone will benefit the local economy.*
A healthy Place	*The scheme supports with reducing poverty by providing additional opportunities for employment.*
Safe and resilient communities	*Opportunities created for individual residents by the programme will contribute to community resilience.*
Delivering best value	*Funding is provided by Central Government and so the Council is not required to directly contribute to costs involved in meeting programme objectives.*

2. Recommendations

2.1 That Executive:

- **APPROVES** the reinvestment of additional business rates income due to the Council, generated from growth within the Tees Valley Investment Zone - Middlesbrough Site, only in meeting the needs of the Priority Sectors. This approval is subject to assurances, required from TVCA, around the decision-making processes for projects the TVCA is responsible for.

- **ENDORSES** the Council's engagement in delivering the Tees Valley Investment Zone programme.

- **DELEGATES** authority to the s151 Officer to finalise and authorise the draft Memorandum of Understanding (MoU) with the Tees Valley Combined Authority (TVCA).

3. Rationale for the recommended decision(s)

3.1 The decision is required as a pre-requisite to Central Government providing £80m of funding available to the Tees Valley Investment Zone. If the Council is unable to enter into a MoU with TVCA, the funding will not be available to promote growth in the town.

3.2 It is a key decision that impacts on two or more wards and will likely have financial consequences totalling more than £250,000.

4. Background and relevant information

4.1 On 20 February 2025, Regulations were laid before Parliament that created the Tees Valley Investment Zone—Middlesbrough Site for 24 years from 1 April 2025 as a designated area for the purposes of the local retention of non-domestic rates.

4.2 The Regulations reference a map of the Site, which in part includes an existing designated area, Tees Valley EZ Growth Extension: Middlesbrough historic quarter. It covers an area with Shepherdson Way as its most eastern extent, the River Tees near to Durham Street at its most northern, North Road adjacent to the Hartington interchange at its eastern and Waverley Street at its most southern. A location map is included in Appendix 2 of the MoU, at the end of Section 1.

4.3 The Regulations also record the initial baseline established for the purpose of determining additional business rates income, which is £5,131,673. The effect of the Regulations and the MoU is that any sum over this amount would be retained to be shared for the purpose of reinvestment in the Tees Valley Investment Zone programme, with 50% being paid to the TVCA and 50% held by the Council.

4.4 The existing designated area will cease to exist in April 2041, at which time the portion within the Site will be included for the purposes of calculating additional business rates. The initial baseline income from the portion is £1,730,615 and, so rather than the Council continuing to retain its share of rates income that it might then have received from April 2041, the amount of additional income will be calculated by reference to the overall combined baseline of £6,862,288 and shared for reinvestment in the Tees Valley Investment Zone programme until March 2049.

4.5 The baseline was finalised in January 2025, before detailed arrangements had been shared around the allocation for retained business rates. Investment Zone funding is not yet deployed, so it can reasonably be concluded that any growth that there may be in the 2025/26 financial year cannot be attributed to the existence of the Zone, but that growth will nevertheless be retained. The MoU will require allocation of any sum to the Zone programme and sharing with TVCA.

4.6 The programme has exclusive focus under the terms of the MoU on the Digital and Creative sectors, as the Priority Sectors, and requires retained rates income to be expended accordingly. Details of the programme objectives are set out in Appendix 1 of the MoU and expanded on in Appendix 2:

- Business Support
- Infrastructure and Place
- Research and Innovation
- Crime and Safety
- Planning

4.7 An announcement in the Autumn Statement 2023 was made that could mean that an extension of the scheme to 10 years duration and increased funding of £160m. No further details or confirmation of this proposed extension have been received yet.

4.8 The second designated area within the Investment Zone is the Hartlepool Site and Hartlepool Borough Council are similarly entering into a separate MoU with TVCA. The baseline for that area is defined in the regulations as £2,083,623.

5. Ward Member Engagement if relevant and appropriate

5.1 Not applicable.

6. Other potential alternative(s) and why these have not been recommended

6.1 Do nothing; whilst it is possible that increased business rates income may be received without entering into the MoU, the substantial gain for the town represented by the government funding provided through the Investment Zone would be lost.

6.2 The terms of the MoU have been modified so far as possible in discussion between Council officers and TVCA. The scope of the original proposals to government made by TVCA mean that limits exist to the extent of change that is possible without jeopardising the provision of the funding that is available.

7. Impact(s) of the recommended decision(s)

Topic	Impact
Financial (including procurement and Social Value)	Middlesbrough will gain from a share of £80m (potentially increasing to £160m) of government funding to develop business projects within the Investment Zone area. There potentially may be some loss of income available to support the Council’s normal budget expenditure by virtue of the sharing and ring-fencing arrangements that exist under the MoU.

	Should the status quo around business rates not substantially change, there is the potential for a reduction in income as the existing designated area is subsumed within the Zone in 2041, when retained rates that would otherwise be subject to the standard retention arrangements will become part of the resource to be provided to fund the Zone programme. There is an implicit cost commitment within the MoU of officer time to support delivery of, and reporting on, the programme and the value of the related rates retention. There are no immediate procurement considerations.
Legal	The Memorandum of Understanding (MoU) is intended to be legally binding and entails a long-term financial commitment from the Council. Given that the current business rates regime is subject to periodic changes and may be significantly revised or replaced, the MoU includes provisions for amendment to accommodate such developments. Any requested change to the MoU will be reviewed by legal.
Risk	The scheme supports the delivery of the Council's strategic priority 'A successful and ambitious town' to attract and grow businesses to increase employment opportunities as set out in the Council Plan 2024-2027. Council Plan | Middlesbrough Council.
Human Rights, Public Sector Equality Duty and Community Cohesion	There are no disproportionate adverse impacts on any group or individuals with characteristics protected in UK equity law. An impact assessment has been carried out and is attached to this report.
Reducing Poverty	Potential for increased economic activity to provide additional and improved opportunities for employment.
Climate Change / Environmental	There are no disproportionate adverse impacts on the aspirations of the Council to achieve net zero, net carbon neutral or be the lead authority on environmental issues.
Children and Young People Cared for by the Authority and Care Leavers	Potential for increased economic activity to provide additional opportunities for training and employment.
Data Protection	The recommended decisions do not have any impact on data protection.

Actions to be taken to implement the recommended decision(s)

Action	Responsible Officer	Deadline
Signature of the MoU and transmission to TVCA	Andrew Humble	30 November 2025

Appendices

1	Draft Tees Valley Investment Zone MoU

Background papers

Body	Report title	Date

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