

Memorandum of Understanding Relating to Tees Valley Investment Zone Site The Collection and Retention of Business Rates

This Memorandum of Understanding is made the day of 2025
BETWEEN

1. **Tees Valley Combined Authority** of Teesside Business Suite,
Teesside International Airport, Darlington, DL2 1NJ (**Authority One**)
2. **Middlesbrough Council** of PO Box 500, Middlesbrough, TS1 9FT
(**Authority Two**).

together the “Parties” (and any reference within this Memorandum of Understanding to a “Party” shall be a reference to one of the Parties unless the context requires otherwise).

A. Definitions

In this Memorandum of Understanding, the following words and phrases shall have the following meanings:

“Business Rates”	Shall mean the tax on non-residential properties pursuant to the Local Government Finance Act 1988 which is paid to local billing authorities and is based on a property's rateable value.
“Agreed Baseline Position”	Shall mean the baseline position that Authority Two provided to Ministry of Housing, Communities and Local Government (MHCLG) which can be found in Appendix 3 .
“Additional Business Rates”	Shall mean any additional business rates over the Agreed Baseline Position.
“Business Rate Retention (BRR)”	Shall mean the retention of Additional Business Rates over and above the Agreed Baseline Position and subsequently uprated by MHCLG in the annual NNDR3 return.
“Billing Authorities”	Shall mean the local authorities responsible for collection of Business Rates and the term “Billing Authority” shall be construed accordingly.
“BRR Site”	Shall mean the site where 100% of the growth in business rates above a BRR Agreed Baseline Position will be retained for 24 years commencing 1

	April 2025 outlined in red on the plan(s) set out in Appendix 2
<u>“BRR Reinvestment Strategy”</u>	Shall mean the Business Rate Retention Reinvestment Strategy which sets out the principles and processes of reinvestment of Additional Business Rates as set out in Appendix 2 .
<u>“Governance Structure”</u>	Shall mean the governance structure set out in Appendix 1
<u>“Memorandum of Understanding”</u>	Shall mean this Memorandum of Understanding and its Appendices.
<u>“Objectives”</u>	Shall mean the objectives of the Investment Zone Programme set out in Appendix 1 (namely business support, infrastructure, research and innovation, crime & safety and planning).
<u>“Programme”</u>	Shall mean the wider Tees Valley Investment Zone Programme as summarised in Appendix 1 .
<u>“TVIZ”</u>	Shall mean the Tees Valley Investment Zone Programme as summarised in Appendix 1 within the Memorandum of Understanding.
<u>“Priority Sectors”</u>	Shall mean Creative and Digital sectors.
<u>“the Order”</u>	Shall mean the Non-Domestic Rating (Designated Areas) Regulations 2025 (SI 180/2025) which provides statutory authority for the Billing Authorities to retain business rates in accordance with the terms of the Order.

1. Background

- 1.1 The Government invited Authority One to establish the TVIZ which was signed off April 2025.
- 1.2 The Priority Sectors for the Investment Zone are Digital and Creative.
- 1.3 Flexible funding of £80 million, over 5 years from 2024/25, has been made available by Government for the benefit of the TVIZ to support this programme and is subject to a 60%:40% split between capital and revenue. This is expected to continue for a further five years on the same terms subject to performance, based on Government’s announcement in the Autumn Statement 2023 to extend the scheme to 10 years with funding of £160m.
- 1.4 TVIZ also includes two BRR Sites in Hartlepool and Middlesbrough where 100% of the growth in business rates above the Agreed Baseline

Position (**Appendix 3**) are retained for 24 years from 1 April 2025 (which is over and above the £80m flexible funding as set out in 1.3).

- 1.5 Additional Business Rates arising from the BRR Site is to be retained 50% by Authority One and 50% by Authority Two. Authority Two as Billing Authority for the BRR site will be required to collect the Business Rates for the site and pay 50% to Authority One.
- 1.6 The Additional Business Rates will be invested in accordance with the Programme Objectives and BRR Reinvestment Strategy for the Priority Sectors only.
- 1.7 The Secretary of State, MHCLG has made the Order which provides statutory authority for the Billing Authorities (Authority Two) to retain business rates in accordance with the terms of the Order.
- 1.8 Government has asked that Authority Two as the Billing Authority and Authority One as the Accountable Body enter into a Memorandum of Understanding in order to set out the basis on which they will collaborate with each other to deliver the BRR Reinvestment Strategy against the Programme Objectives for the Priority Sectors.

2. Purpose of this Memorandum of Understanding

- 2.1 This Memorandum of Understanding sets out the intentions of the Parties to deliver the BRR Reinvestment Strategy including:
 - 2.1.1 the Agreement between the Parties;
 - 2.1.2 the parameters within which any Additional Business Rates received by the Parties through Business Rate Retention will be collected and utilised for the benefit of the TVIZ Programme;
 - 2.1.3 the principles of collaboration between the Parties;
 - 2.1.4 the respective roles and responsibilities of the Parties.

3. Agreement

- 3.1 This Memorandum of Understanding (MOU) sets out the intentions of the Parties. The Parties agree with each other as follows:
 - 3.1.1 They will deliver the Business Rates Retention Reinvestment Strategy in accordance with the provisions of **Appendix 2** and the wider provisions of this Memorandum of Understanding. In particular, the Parties agree that they will not spend any Additional Business Rates received pursuant to BRR on any purposes other than in accordance with the Programme Objectives for the Priority Sectors (**Appendix 1**).

For the purposes of this MOU, the BRR Site is the area known as the designated area and which is defined in the Order and shown for identification purposes on the location map in **Appendix 2**.

- 3.1.2 Authority Two as the relevant Billing Authority, agree to continue to collect business rates for the area including the BRR Site, for which it is currently responsible.
- 3.1.3 Authority Two is enabled by the Order to retain 100% of the business rates over the Agreed Baseline Position for 24 years from 1 April 2025, for the areas of the BRR Site, for which it holds billing responsibilities.
- 3.1.4 Authority Two agree that within 10 working days of the submission deadline for the NNDR3 return each year they will calculate the value of business rates over the Agreed Baseline Position for the BRR Site (being the Additional Business Rates), using the NNDR3 (National Non-Domestic Rates return that Billing Authorities are required to submit to MHCLG), and inform Authority One of this calculation.
- 3.1.5 Following the calculation by Authority Two pursuant to clause 3.1.4 above, Authority Two agree to pay to Authority One 50% of the Additional Business Rates in respect of the BRR Site within 14 days of receipt of an invoice from Authority One in respect of the Additional Business Rates annually for a period of 24 years commencing on 1 April 2025.
- 3.1.6 Deployment of Additional Business Rates will be made in line with the Programme Objectives for the Priority Sectors as detailed in **Appendix 1**.
- 3.1.7 Deployment of all Additional Business Rates will be made in line with the BRR Reinvestment Strategy (**Appendix 2**).
- 3.1.8 Authority Two will meet any monitoring and information requests as may be required by Authority One in its role as Accountable Body of the TVIZ.
- 3.1.9 All parties will work positively to maintain or enhance the value of business rates reinvestment within the parameters set in this MoU.
- 3.1.10 The parties agree to this MOU on the basis of there being no material changes to applicable Central Government Investment Zone policy (which could be driven by changes to the national Business Rates retention system) over the 24-year period from 1 April 2025, or other exceptional circumstances which could invalidate the agreement.
- 3.1.11 All Parties agree that any re-negotiation of its terms will require the consent of all Parties affected by any proposed amendments. The Parties agree to work together positively to agree any amendments necessary to reflect changes to policy as set out in clause 3.1.10 above.

4. **Principles**

- 4.1 The Parties agree to adopt the following principles when carrying out the TVIZ Programme (**Principles**):

- 4.1.1 Collaborate and co-operate. Adhere to the Governance Structure set out in this Memorandum of Understanding to ensure that activities are delivered and actions taken as required;
- 4.1.2 Be accountable. Take on, manage and account to the other Party for performance of the respective roles and responsibilities set out in this Memorandum of Understanding;
- 4.1.3 Be open. Communicate openly about major concerns, issues or opportunities relating to the Programme;
- 4.1.4 Learn, develop and seek to achieve full potential. Share information, experience, materials and skills to learn from each other and develop effective working practices, work collaboratively to identify solutions, eliminate duplication of effort, mitigate risk and reduce cost;
- 4.1.5 Adopt a positive outlook. Behave in a positive, proactive manner;
- 4.1.6 Adhere to statutory requirements and best practice. Comply with applicable laws and standards including public procurement rules, data protection and freedom of information legislation.
- 4.1.7 Act in a timely manner. Recognise the time-critical nature of the Programme and respond accordingly to requests for support;
- 4.1.8 Manage stakeholders effectively;
- 4.1.9 Deploy appropriate resources. Ensure sufficient and appropriately qualified resources are available and authorised to fulfil the responsibilities set out in this Memorandum of Understanding;
- 4.1.10 Act in good faith to support achievement of the Programme Objectives, delivery of the BRR Reinvestment Strategy and compliance with these Principles; and
- 4.1.11 Deliver the BRR Reinvestment Strategy (**Appendix 2**).

5. Escalation

- 5.1 If either Party has any issues, concerns or complaints about the Programme, or any matter in this Memorandum of Understanding, that Party shall notify the other Party and the Parties shall then seek to resolve the issue by a process of consultation. If the issue cannot be resolved within a reasonable period of time, the matter shall be escalated through the TVIZ governance structure. Firstly, to the TVIZ Programme Group, which shall decide on the appropriate course of action to take. If the matter cannot be resolved by the TVIZ Programme Group within 20 working days, the matter may be escalated by either Party to an adjudicator ("the Adjudicator"). The Adjudicator shall be selected by the President for the time being of the Chartered Institute of Arbitrators unless the Parties in

dispute agree another appropriate person. The Adjudicator shall be deemed not to be an arbitrator but shall render his decision as an expert, and the provisions of the Arbitration Act 1996 and the law relating to arbitration shall not apply to the Adjudicator or their determination or the procedure used to reach the determination. Any cost of referring any matter to the Arbitrator shall be borne by the Parties in equal shares.

5.2 If Authority Two receives any formal inquiry, complaint, claim or threat of action from a third party (including, but not limited to, claims made by a supplier or requests for information made under the Freedom of Information Act 2000) in relation to the Programme, the matter shall be promptly communicated to Authority One. No action shall be taken which would adversely affect the Programme as set out in this agreement. For the avoidance of doubt, nothing in this clause 5.2 shall operate to prevent any Party from taking any action required by Law.

6. Term and termination

6.1 This Memorandum of Understanding shall commence on the date made, and shall expire on a date not earlier than 24 years commencing 1 April 2025 (unless otherwise agreed in writing by both Parties or required by operation of law). The Parties agree that following the expiry of the 24 year period, there shall be a further period of 12 months during which the Parties shall work together to monitor and evaluate the Programme.

7. Variation

- 7.1 This Memorandum of Understanding, including the Appendices, may only be varied by written agreement of the Parties.
- 7.2 The Parties expressly agree to work positively together to achieve any amendments necessary to ensure compliance with any changes to legislation, policy or guidance issued by Central Government.

8. Charges and liabilities

- 8.1 Except as otherwise provided, the Parties shall each bear their own costs and expenses incurred in complying with their obligations under this Memorandum of Understanding.
- 8.2 Both Parties shall remain liable for any losses or liabilities incurred due to their own or their employee's actions and neither Party intends that the other Party shall be liable for any loss it suffers as a result of this Memorandum of

Understanding save for situations where losses are suffered due to the negligence or breach of this MOU by the other Party.

9. Status

- 9.1 This Memorandum of Understanding is intended to be legally binding between the Parties.
- 9.2 Nothing in this Memorandum of Understanding is intended to, or shall be deemed to, establish any partnership or joint venture between the Parties, constitute either Party as the agent of the other Party, nor authorise either of the Parties to make or enter into any commitments for or on behalf of the other Party.

10. Governing law and jurisdiction

- 10.1 This Memorandum of Understanding shall be governed by and construed in accordance with English law and, without affecting the escalation procedure set out in clause 5, each Party agrees to submit to the exclusive jurisdiction of the courts of England and Wales.

Signed for and on behalf of Tees Valley
Combined Authority

Signature:

Name:

Position:

Date:

Signed for and on behalf of Middlesbrough
Council

Signature:

Name:

Position:

Date:

CONTACT POINTS

Authority One

Name:

Office address:

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Tel No:

E-mail Address:

Authority Two

Name:

Office Address:

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Tel No:

E-mail Address:

Appendix 1

The TVIZ Programme

Overview

The Tees Valley Investment Zone programme will increase inward investment, productivity and jobs in the region's digital and creative technology sectors across the Tees Valley. The Investment Zone will seek to bolster the region's strength with investment in infrastructure, skills and workforce development, business support, planning and research and innovation. The Investment Zone is primed to help create more than 2,000 jobs and, potentially, unlock £175million of investment by 2034.

Objectives

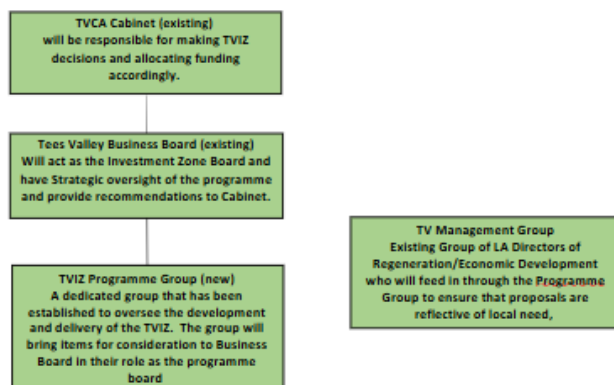
TVIZ has 5 objectives - business support, infrastructure, research and innovation, crime & safety and planning.

The £80m flexible TVIZ funding is being spent on a number of interventions as indicated below:

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

Governance

The TVIZ governance will follow the processes set out in the existing TVCA Assurance Framework and is set up as follows:



Appendix 2

BRR Reinvestment Strategy

Section 1: Background

Business Rate Retention

As part of the TVIZ Programme, two Business Rate Retention (BRR) sites have been identified with a total area of 198.3 Ha. These sites will enable the region to benefit from 100% retention of business rates growth over an agreed baseline, for a period of 24 years from 1 April 2025. The rates are retained 50% by Authority One and 50% by Authority Two. The TVIZ BRR Sites identified are town centre focused located in Middlesbrough and Hartlepool and are therefore inherently underdeveloped and underutilised land and property, which will be developed to increase occupancy and subsequent business density, and some brownfield undeveloped land. The retention of business rates in these areas, will provide a source of income to invest in the bespoke IZ Programme activity for longer, leveraging further impacts from the initial TVIZ flexible funding investment.

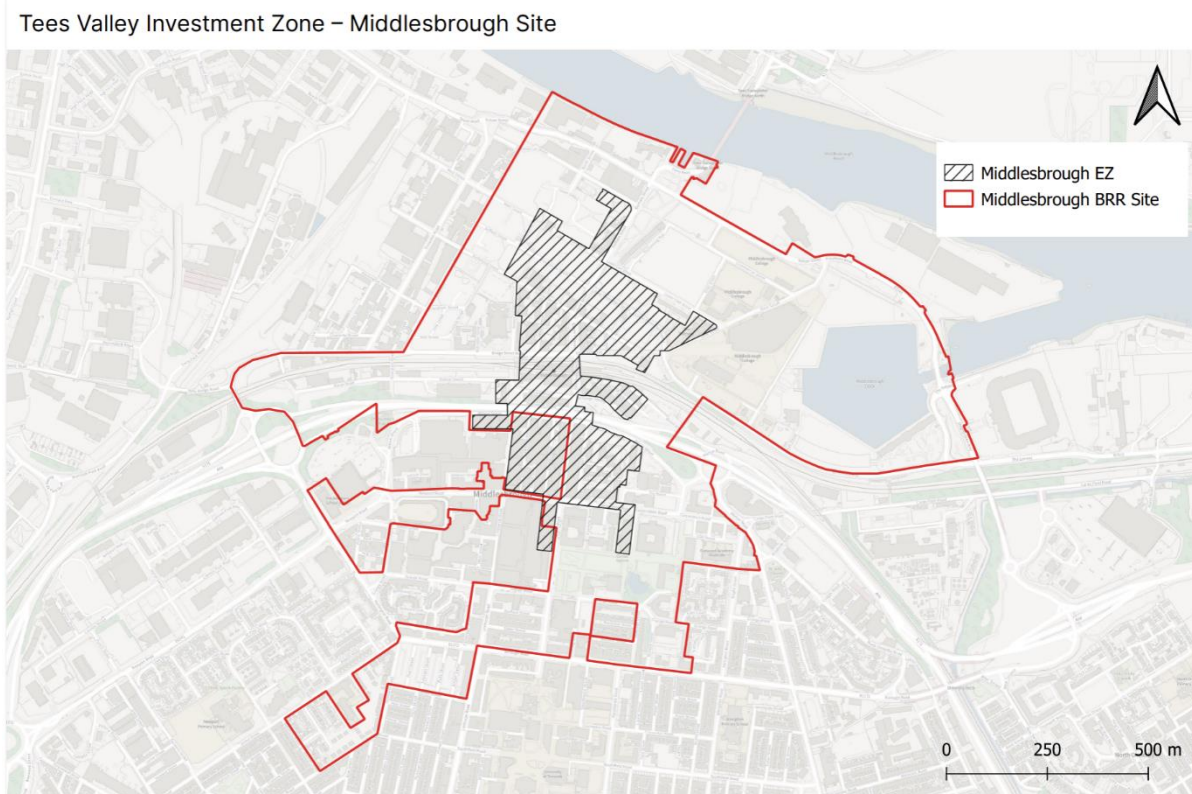
Retained Business Rates will be utilised to deliver against the Programme Objectives as follows:

- **Infrastructure and place** – Ongoing revenue support may be required for TVIZ capital investments such as incubator and grow on space. There may also be the need to invest in smaller scale infrastructure projects where there is a demonstrable strategic and economic need that is clearly linked to the target sector and cluster.
- **Business support** –we foresee a slightly lower proportion of BRR revenue going into business support compared to the current proportion of 64%. As the sector and clusters grow and strengthen it is envisaged that the R&I support will be increased. However, business support will continue to be required for the full 24 years to ensure that new and existing businesses in the sector and wider ecosystem continue to receive dedicated and specialist business support to help them grow and thrive.
- **R&I** – As above, we foresee a higher proportion of BRR revenue going into Research & Innovation activity compared to the current proportion of 12%. Continued support will be required for businesses to support innovation and digitisation.
- **Planning** – It is envisaged that the planning service will be self-sufficient within the first 5 years and therefore it is unlikely that BRR funding will need to be invested in planning. However, if funding is still required, Authority One has the ability to reinvest Additional Business Rates against this objective.

For the purposes of this MOU, the IZ BRR Site is the area known as the Middlesbrough Investment Zone BRR Site which is defined in the Order and shown for identification purposes edged in red on the plans below where there are existing cluster/s focused on the priority sectors.

The identified BRR Site will generate significant Additional Business Rates income over the next 24 years with a projected income of £43.77 by 2048/49.

Location Map



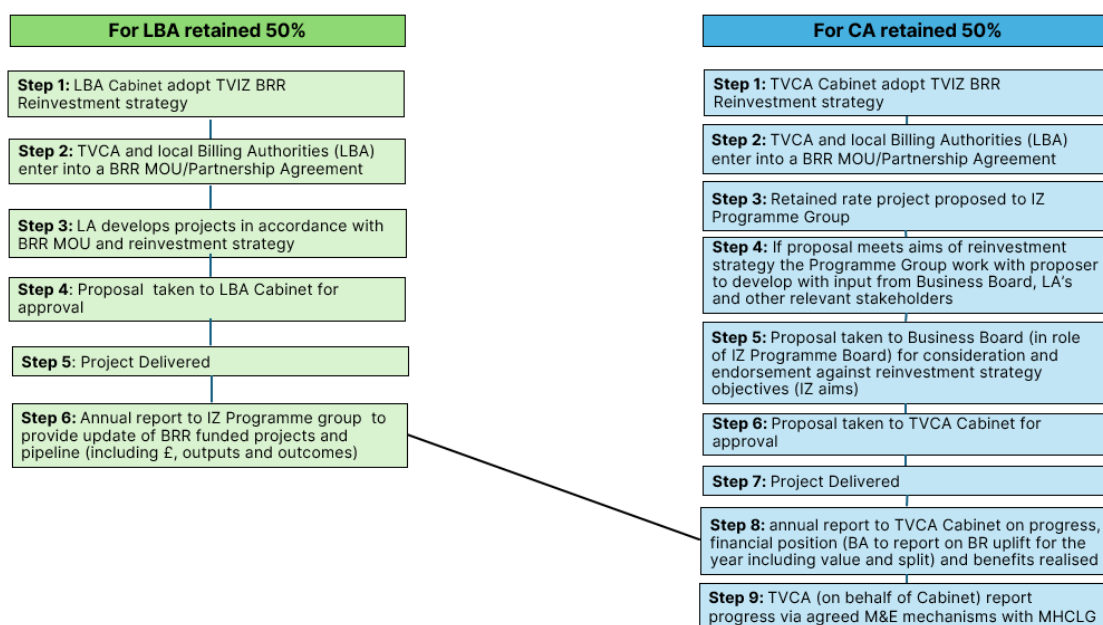
Section 2 - Principles

1. Authority Two as the relevant Billing Authority, agrees to continue to collect business rates for the area including the areas of the IZ BRR Site, for which it is currently responsible.
2. Authority Two is enabled by the Order to retain 100% of the Business Rates over the Agreed Baseline Position for 24 years from 1 April 2025, for the areas of the BRR Site, for which it holds billing responsibilities.
3. Authority Two agrees that within 10 Working Days of the submission deadline for the NNDR3 return they will calculate the value of business rates over the Agreed Baseline (as detailed in **Appendix 3**) for the BRR Site (being the Additional Business Rates), using the NNDR3 (National Non-Domestic Rates return that Billing Authorities are required to submit to MHCLG), and inform Authority One of this calculation.
4. Following the calculation by Authority Two pursuant to paragraph 2 above, Authority Two agree to pay to Authority One 50% of the Additional Business Rates in respect of the BRR Site within 14 days of receipt of an invoice from Authority One in respect of the Additional Business Rates.

5. The retention of Additional Business Rates in respect of the BRR Site will provide a source of income to invest the Programme Objectives as set out in Appendix 1, leveraging further impacts from the initial £80m flexible funding investment whilst addressing key constraints and unlocking opportunities for the IZ priority sectors. Reinvestment must be in line with these objectives.
6. Deployment of the BRR funding will be made in line with the locally agreed principles as set out below (which has been agreed by Authority One and Two's Cabinets or Executive (as the case may be)) and where relevant, elsewhere in this MOU

Section 3 – process

Process map:



Authority Two retained Additional Business Rates process:

- **Step 1** – Authority Two's Cabinet or Executive, or relevant Committee with the necessary delegated authority (as the case may be) adopts Business Rate Retention Reinvestment Strategy for the BRR Site.
- **Step 2** – Authority Two enter a Memorandum of Understanding with Authority One which sets out the terms, principles and practices that will apply to the working relationship regarding the delivery and administration of the Business Rate Retention Reinvestment Strategy. This will include what the Additional Business Rates can be used for, how decisions are made, how projects are monitored and evaluated, how performance data is to be shared. The Memorandum of Understanding will also include how this partnership will work, including how any issues are escalated back up the IZ governance structure to Combined Authority level through robust reporting structures. The

Memorandum of Understanding will agree a regular meeting schedule between all Parties to discuss BRR matters.

- **Step 3** – Authority Two develops projects locally that comply with the Memorandum of Understanding and the Business Rates Retention Reinvestment Strategy.
- **Step 4** – BRR funded project proposals will be taken to Authority Two's Cabinet or Executive (as the case may be) for approval. This locally made investment decision, managed by the existing Local Authority procedures and constitution, mitigates any conflict from commercial interests on the proposal and ensures local buy-in, when selecting and approving the use of public funds.
- **Step 5** – BRR funded project delivered locally. If required, an agreement will be put in place with the proposer to formalise approval, reporting requirements, eligibility of spend, KPI's, key milestones etc. Authority Two will deliver project in line with their agreement.
- **Step 6:** Authority Two to submit annual reports to Authority One to demonstrate how funding/Additional Business Rates have been used from their 50% share, project pipeline, realised outcomes/outputs and compliance with the Business Rates Retention Reinvestment Strategy /their original proposal. This will feed into wider TVIZ level monitoring and evaluation.

TVCA retained rates process:

- **Step 1** – TVCA Cabinet adopt Business Rates Retention Reinvestment Strategy for the BRR Sites.
- **Step 2** – Authority One and Authority Two enter a Memorandum of Understanding which sets out the terms, principles and practices that will apply to the working relationship between them regarding the delivery and administration of the Business Rates Retention Reinvestment Strategy. This will include what the Additional Business Rates can be used for, how decisions are made, how projects are monitored and evaluated, how performance data is to be shared and escalated if required. The Memorandum of Understanding will also include how this partnership will work, including how any issues are escalated back up the TVIZ governance structure to Combined Authority level through robust reporting structures.
- **Step 3** – Expression of interest where relevant for BRR funded projects will go to the TVIZ Programme Group (as defined in governance section of Appendix 1) for consideration. This will go through an initial eligibility check to ensure it is compliant with Business Rates Retention Reinvestment Strategy before they are developed further in step 4.
- **Step 4** – BRR funded projects are developed in partnership with relevant partners and stakeholders (such as LAs, specialist Business Board members, Tees Valley Management Group and Teesside University) as part of the TVIZ

Programme Group – utilising insights, intelligence ensuring additionality to other IZ intervention activity.

- **Step 5** – BRR funded project proposals are taken to Tees Valley Business Board for endorsement against the reinvestment strategy before they progress to step 6 for the final decision. The Business Board are responsible for strategic oversight and act as the Programme Board, ensuring that recommendations and decisions are rooted in the business needs of the target sector and clusters.
- **Step 6** – BRR project proposals taken to TVCA Cabinet for approval in accordance with Tees Valley Assurance Framework.
- **Step 7** – BRR funded projects delivered locally. If required, an agreement will be put in place with the proposer to formalise approval, reporting requirements, eligibility of spend, KPI's, key milestones etc. Proposer will deliver project in line with their agreement. They will work closely with the TVIZ Programme Manager to ensure that any issues are picked up and escalated through the IZ governance structure to CA level including regular catch-up meetings. They will need to submit annual returns to demonstrate how funding has been used, realised outcomes/outputs and compliance with the Business Rates Retention Reinvestment Strategy /their original proposal. This will feed into wider TVIZ monitoring and evaluation.
- **Step 8**– An annual report to Authority Two's Executive or Cabinet (as the case may be) and TVCA Cabinet on progress, financial position (incorporating annual report information from LBAs) to report on business rate uplift for the year including value and split) and benefits realised.
- **Step 9**– BRR monitoring information to be fed through to MHCLG in accordance with the Memorandum of Understanding, and in line with wider TVIZ M&E requirements and processes.

Appendix 3

Agreed Baseline Position

The Agreed Baseline for the full TVIZ BRR site is as follows:

	Small business rates multiplier	Standard business rates multiplier	Total
Designated Area baseline	2,076,915	4,785,373	6,862,288

During the period 01.04.25 to 31.03.41, this Agreed Baseline is reduced to take into account the value of the BRR site that is already covered by an existing DA area as set out below:

	Small business rates multiplier	Standard business rates multiplier	Total
Designated Area baseline	2,076,915	4,785,373	6,862,288
(-deduct) Value of the proposed BRR site that is already covered by an existing DA area	-871,045	-859,570	-1,730,615
BRR site baseline less shared hereditaments	1,205,870	3,925,803	5,131,673

This is also set out in:

[The Non-Domestic Rating \(Designated Areas\) Regulations 2025](#)

Numbered map (Column 1)	Designated area (Column 2)	Billing authority (Column 3)	Value of J (£) (see paragraph 8 of Schedule 2) (Column 4)	Value of N (£) (see paragraph 8 of Schedule 2) (Column 5)
5	Tees Valley Investment Zone —Middlesbrough Site	Middlesbrough Council	1,205,870	3,925,803