STRIPPED TEES

How Britain's flagship 'levelling up' project turned into a scandalous giveaway

by Richard Brooks

IT WAS to be the UK's largest regeneration scheme in decades, a model for regional devolution and the flagship post-Brexit freeport. But the redevelopment of the former steelworks on the south bank of the River Tees became little more than an unlawful, taxpayer-funded scheme to promote the political career of a Tory golden boy and vastly enrich a couple of local businessmen and their families, all hidden in a web of deception. In the process, it is financially imperilling a major regional development body and squandering the chance to revive one of the country's most deprived but industrially promising areas. This is how it happened…

TEN years ago, after a long decline brought on by competition from China and misguided industrial strategy at home, 175 years of steelmaking on Teesside came to an end. When the last operating plant, owned by Sahaviriya Steel Industries (SSI) of Thailand, closed, the austerity-era Conservative government refused to step in. Instead, business secretary Sajid Javid dispatched Lord (Michael) Heseltine to the area to survey what the grandee would call "a scene of desolation, a memory of industrial activity now gone". He also, however, saw potential in a region that was "strategically placed, with road and rail access", and which "sits alongside the deepest port on the east coast of the UK". Heseltine's 2016 report, *Tees Valley: Opportunity Unlimited*, recommended setting up a development corporation to take ownership of the former steelworks site and lead a green reindustrialisation.

The effort would be overseen by a new regional mayor and chair of the Tees Valley Combined Authority (TVCA), itself created as part of the Cameron government's nod towards regional devolution. Thirty-year-old commercial lawyer Ben Houchen, a local Tory councillor (who confessed "I'm overconfident and talk a lot"), had been persuaded to stand for mayor by close friend and Stockton South MP James Wharton – who, as a junior minister, had also been instrumental in creating the new combined authorities. Houchen hadn't expected victory in the "red wall", but in May 2017, a promise to bring the ailing local airport back into public ownership had won over voters.

Decent proposal

That summer, narrowly re-elected prime minister Theresa May travelled up to Teesside and launched the South Tees Development Corporation (STDC), also chaired by Houchen. Within weeks it had produced its first "masterplan", presenting a vision of sustainable regeneration for the 18 sq km area stretching from the outskirts of Middlesbrough in the southwest to the giant South Gare breakwater in the northeast. STDC would buy the old steelworks land, remediate parcels of it and lease them to new green companies. The rental income and business rates would go into an investment fund for further work in a virtuous cycle of redevelopment.

The site, said the plan, "could not be better located to capitalise on the unique selling point of excellent sea transport connectivity and the deepest port on the eastern coast of the UK". One local businessman would tell the *Eye*, gesturing across the long river frontage, that it had the potential to be "a new Rotterdam".

The project wasn't without challenges, however. The steel industry's tortured history since privatisation 30 years earlier had carved up the site, and regeneration on any scale was going to require some rationalisation.

Joint enterprise

Around half the area over which STDC's writ extended belonged to two companies. Tata of India had 1,420 acres, having in 2007 bought what was once the original British Steel (it became Corus in 1999). Another 870 acres belonged to the UK arm of SSI, now in liquidation, which had bought Tata's cast products business when it ceased operations in 2010. The rest belonged to other businesses, notably PD Ports, whose Teesport operation, surrounded by the former steelworks, was the seventh largest UK port by annual tonnage.

Houchen had little difficulty persuading Tata to sell its land for £12m. But acquiring the SSI land, effectively from the consortium of banks with charges over its assets, proved trickier. So in April 2019 the mayor issued a formal compulsory purchase order (CPO) enabling STDC to force an acquisition subject to examination by an inspector.

By this time, a couple of local businessmen were also sniffing round. In July, commercial property investor Chris Musgrave visited the South Bank area with his 22-year-old son, Joe, and three others. He was teaming up with residential property developer Martin Corney to exploit the riches the regeneration of Teesside might offer. By early December 2019, the businessmen had formed a new company, South Tees Enterprise Ltd. Within weeks, the men used this company to form a joint venture with STDC, which had not invited any other partnership bids. The new set-up would ☞

Big Ben

From Tory-boy to Tory poster boy

BEN HOUCHEN's political journey began in 2011 when, aged 24, he became a Tory councillor for the market town of Yarm, ten miles up the Tees from the former steelworks.

He remained a practising solicitor and in January 2015 became sole director of a law company, RU Licit Ltd, set up by colourful Dubai-based associate Richard Upshall. This advised another of Upshall's operations, Askaris Information Technology, on a dispute in which it was later found to have been knowingly involved in a large VAT fraud a couple of years earlier. Shortly before the tribunal ruling, in 2019, Askaris would donate £15,000 to (by then) mayor Houchen.

In March 2016, Houchen had moved on to run Upshall's sport kit business BLK Sport. A month before the May 2017 mayoral election, he told the *Northern Echo:* "We had a £2.5m turnover last year, £7m this year and £20m next. There's no reason why we can't be up there with the very big brands within ten years." Houchen resigned when he won the election; by the end of the year the company had gone bust owing £775,000 to its Hong Kong supplier, £64,000 to HMRC, £125,000 to the Rugby Football League and £36,000 to All England Netball, among other creditors. On the strength of this experience, Houchen bills himself as a former "UK and European CEO of an international sportswear company".

It isn't hard to see where Houchen gets his political inspiration. He named his pet dog Boris shortly before being awarded a peerage by Boris Johnson in the latter's resignation honours. Days after Donald Trump's re-election as US president, he wrote a particularly emetic letter of congratulation: "Please know that you have many admirers here…"

The peerage hasn't quite worked as advertised. He said he would be "an insurgent" using this "incredible opportunity to fight and deliver even more for everyone across Teesside, Darlington and Hartlepool". But in two years, Lord Houchen of High Leven has spoken just twice in the Lords. Once was his maiden speech, thanking his "dear friend" Lord (James) Wharton for introducing him (though not for the job the latter gave his wife, Rachel, at the Office for Students). The other was a few words on the 200th anniversary of the Stockton-Darlington railway.

Houchen has asked 13 written questions, most of which implied criticism of Labour's inheritance tax changes, especially to business property relief – not a big concern in the northeast, where just 1 percent of estates incur inheritance tax. There are a couple of local businessmen, though, who might take an interest…

lead the regeneration, buy plots on the site and lease them to industry.

Exactly why Houchen signed up to this joint venture remains a mystery. The public justification centred on Corney and Musgrave's fortuitous acquisition of a small interest in land belonging to Redcar Bulk Terminal Ltd (RBT), which adjoined the land Houchen needed to acquire through the CPO. The company owned 325 acres of land around its deep berth port but was short of cash since the closure of the steelworks it once served. After discussions with RBT managing director Garry O'Malley, at the end of November 2019 Corney and Musgrave agreed an option to lease a 70-acre strip from RBT. The deal provided RBT with a handy £14,000 a month and, so the official version went, made the land available for offshore energy-related business Corney and Musgrave were contemplating entering.

RBT had been owned jointly by SSI's liquidators and the latest incarnation of British Steel. But after the latter went bust in May 2019, SSI's liquidators were in effective control. This was presented as giving the Thai steel company – which had wealthy backers even if it was insolvent in the UK – new prospects. SSI could threaten the mayor's CPO of its land by offering an alternative.

But Corney and Musgrave's interest in a sliver of the RBT land could itself scupper SSI's plans, ran the story. This gave them leverage over Houchen by enabling them to say they could persuade SSI to drop its objection to his CPO in return for their relinquishing their option over the 70 acres, which the steel company was said to want. The businessmen would do so if Houchen agreed to make them his joint venture partners in the regeneration scheme.

But the story doesn't stack up, and the option appears to be a fig leaf to cover an inexplicably generous deal. The *Eye* was told by sources close to the process that the 70-acre option played no part in SSI's thinking. The relevant area wasn't crucial to its plans for the RBT land and, indeed, remains unused. And, in any case, SSI's objection was very unlikely to block Houchen's plans.

Although the mayor would insist that his lawyer, David Elvin KC, had advised (verbally, it turned out) that he would probably lose the CPO in the face of SSI's objection, such defeats are rare – and unheard of for a project with such national political backing. Property experts told the *Eye* the idea of a defeat was fanciful. Indeed, the CPO inspector pointed out there was "no realistic prospect" of regenerating the area without compulsory purchase and that other landowners "do not have the resources or ability to deliver the necessary regeneration".

The chronology of transactions suggests the deal was planned all along. Corney and Musgrave set up DCS Industrial Ltd, through which they would agree the RBT option, on 25 November 2019. The option was signed with RBT's O'Malley four days later. The men were in touch with STDC within days, exchanging information about the site on 3 December and within a week informing STDC of the new company, South Tees Enterprises Ltd (now Teesworks Ltd), that would become the joint venture. All this was weeks before, on Houchen's and his chief executive Julie Gilhespie's accounts of the backstory, Corney and Musgrave first approached them with their offer.

Slippery deals

For whatever reason, Corney and Musgrave were certainly being favoured. At the same time, they were also chosen as joint venturers for the development of a £200m business park with the airport Houchen had proudly acquired in February 2019 for £40m.

Helpfully, legal advisers agreed that ordinary open procurement rules, requiring a formal competition for the role, could be waived for this too. Another developer was said to be interested but Corney and Musgrave's proposition "stood out in terms of a shared vision for the investment", TVCA finance director Gary Macdonald told the board in December 2019.

Teesside International Airport Business Park Ltd would be a 50/50 joint venture between the airport company and the businessmen's Teesside International Land Ltd. The latter was incorporated, perhaps not coincidentally, on 6 December, the same day as the company utilised for the joint venture on the steelworks regeneration site.

Although Macdonald said the deal would "give significant risk share", the joint venture company would be seeded with land and infrastructure from the airport – public assets – worth £14.6m, while Corney and Musgrave would contribute, er, nothing beyond "forgoing management and short-term development fees". Infrastructure worth £23.6m, including a new road to the business park, would be funded by the airport with loans from TVCA. Meanwhile, Corney and Musgrave's Teesside International Land Ltd was given an option to lease the land for 125 years (despite the TVCA board having approved a deal granting this to the 50 percent publicly owned joint venture company).

It was another bumper deal, with estimated profits for the men over 40 years of £190m, while the airport would make £155m.

Scrappy do

Although the option to buy the former steelworks land would ultimately prove the businessmen's real goldmine, quicker paydays were around the corner.

The site was full of steel, iron, copper, nickel and other metals, already piling up thanks to demolition work. The first phase was being rushed through by a company set up by the government after the steelworks closed, to oversee the toxic land and keep it safe. Though owned from Whitehall, South Tees Site Company Ltd operated under a similar board to STDC and appeared equally impatient to get on with demolition. In September 2019, a cut-price, botched demolition of a couple of disused coke ovens had caused the deaths of two men *(see Deadly Neglect)*.

Soon after the joint venture between STDC and Corney and Musgrave was formally signed in March 2020, the scrap being generated by the demolition work became the subject of yet another secret agreement. A "supplemental deed" signed in June stipulated that the joint venture company "may remove scrap, minerals, aggregates etc and the title to such materials shall pass to [it] on removal".

Since they owned half the company, the businessmen were to pocket half the sums about to be earned from the scrap. Tellingly, this deal wasn't presented to the STDC board. Nor was the fact that STDC was paying the nine-figure cost of the demolition generating this material mentioned to lawyers who approved the deal as compliant with "state aid" laws, which are supposed to prevent public giveaways to private businesses.

2020 vision

With all the former steelworks land acquired following completion of the CPO process in April 2020, the serious money could begin to flow from Whitehall. The project epitomised the "levelling up" prime minister Boris Johnson had promised in his recent election campaign and this was a chance to show the "red wall" that he also delivered.

Central government funding, which would top £130m within a couple of years, still demanded a satisfactory "business case". But, just as the STDC board had been blindsided, the case constructed by STDC management would mislead Whitehall. While the business case boasted that STDC had "secured [a] strong joint venture partner for development and delivery activity", it made no mention of the joint venture company's ability to buy land.

The vision presented to Whitehall was of a "self-sustaining financial model" in line with the original masterplan: an investment fund, seeded with income from letting out parcels of remediated land, would pay for demolition, remediation and development over the decade. This would create "the UK's first net-zero 2050 cluster", echoing the landmark policy announced at the tail-end of May's government. By 2035, regeneration would deliver 20,000 high quality jobs. Crucially, STDC

Deadly neglect

Botched demolition kills two men

THE avoidable deaths of Tommy Williams, 65, and John Mackay, 49, on 19 September 2019 form the darkest chapter in the Teesside regeneration story – and the response to the fatalities the most shocking.

The men were working respectively for demolition contractor John F Hunt and subcontractor Nationwide Platforms on "ammonia washer" towers at the South Bank coke ovens. Disused since 1990, these removed ammonia from gas created when coal was turned into coke for the blast furnaces. Other chemicals extracted included, in an adjoining tower, highly flammable naphthalene.

Little heed was paid to the danger. John F Hunt had been brought in as the cheapest bidder and set about dismantling the structures using oxy-propane blow torches, so-called "hot works". Experts say this was wholly inappropriate. The towers exploded, killing Tommy and John, whose bodies could not be recovered for a week.

After four years, Cleveland police dropped its corporate manslaughter investigation, prompting John's wife Ann and sister Magi to ask for a victims' right to review. This was highly critical of both the police investigation and of the site company, noting its "failure to comply with COMAH [control of major accident hazards] regulations". There was, however, "no evidence that there was widespread knowledge of dangerous substances that were hidden in the ammonia washers". A consulting firm's analysis in 2018 "did not highlight the presence of naphthalene in the vessels". All of which made a corporate manslaughter charge difficult.

But, the *Eye* discovered, the procurement document issued by South Tees Site Company Ltd in March 2019 said explicitly that "there may be coal tar and naphthalene residues present [in the washers]" – so there *was* such knowledge. In any case, their likely presence would have been obvious to anyone examining how the washers operated.

Mayor Houchen declined Ann's request to meet her and Magi. When Magi wrote six months after the incident that they'd had "nothing from JF Hunt nor yourself", Houchen said the site company "continues to be, and always has been, fully compliant with the legislation governing top tier COMAH (control of major accident hazards) sites". As the police investigation found, this was not correct.

Six years after their deaths, the Health and Safety Executive has said that "numerous breaches of health and safety legislation were identified against two duty-holders", but it is dragging its feet on prosecutions. John and Tommy's families have received no compensation.

would retain ownership of the land. The joint venture deal, however, secretly broke that commitment. Choice parcels of publicly remediated land would now be sold to a 50 percent privately controlled company whenever it demanded. Whitehall was handing over hundreds of millions of pounds on false pretences.

Gift wrapping

Such inconvenient details were, however, easy to hide behind a rebrand and a fresh launch. On 28 July 2020, a 4X4 emblazoned with the new "Teesworks" logo rolled into a large marquee on the site. Houchen sat on a makeshift stage between Musgrave and the STDC deputy chairman, Middlesbrough FC owner and bulk haulage magnate Steve Gibson.

"This is probably one of the best development sites I've ever been on," Musgrave told socially distanced guests. "Everybody talks about this site in terms of its weaknesses… and its land contamination and the huge structures on there… But underneath all that we're sat here on a site which is more than 4,000 acres in size, we've got a fantastic river out there which is 16m deep at one end and 12m deep at the other end, we've got great railway links… and we've got great road infrastructure." Gibson, a Labour supporter who'd nevertheless recently backed Houchen with a £20,000 donation to his forthcoming re-election campaign, would later call the site "a gift from the gods".

It was an especially generous gift for some. The accelerated demolition quickly turned the scrap into serious money. Accounts for the joint venture, Teesworks Ltd, show that by March 2021 it was already sitting on nearly £6.6m in profits (after tax). The riches weren't just for Corney and Musgrave and their associates, though: Teesworks was to be a family affair.

Five days after the STDC board meeting at which the joint venture had been approved in February 2020, Martin Corney's son Chester, then 23, and son-in-law Thomas Carr, 25, set up their own company, TCC Plant Ltd, to rent out diggers to demolition and other contractors on the site. Before long Martin Corney's other son-in-law, Orion Kotrri, was appointed as "Teesworks site development manager" overseeing the collection of scrap. This was an STDC job, so public sector, but it wasn't advertised because a "known and trusted person" was required. That "known" said it

PORT IN A STORM: STDC land envelops Teesport

all about how things were to be done at Teesworks.

Another cosy appointment went to the RBT director who in November 2019 had signed the land option Corney and Musgrave had parlayed into the joint venture. Garry O'Malley left RBT the following June, and three months later became operations director at STDC on a significantly higher salary, £127,000. Again, the position hadn't been advertised. All insisted that master mariner O'Malley was the best man for the newly created job.

Roundabout methods

It was a measure of Musgrave and Corney's dominance that the men ostensibly brought in just to develop the former steelworks land also took control of dealing with STDC's most important neighbour.

Teesport operator PD Ports wanted confirmation of its rights of access across the land that surrounded it, which STDC now owned. The routes were needed for emergencies, especially if the company's main access to its port along a public road became flooded.

PD Ports' property director Michael McConnell and STDC's engineering director John McNicholas had in fact reached an understanding in 2019 that the port company's longstanding access rights would be confirmed. The quid pro quo for this was PD Ports giving up a small piece of land STDC needed for a roundabout on a route to a key part of the South Bank site. It was the kind of cooperation that was in keeping with STDC's constitutional aim to "further the economic development and regeneration of the South Tees area" – in other words, support all the region's employers.

But Musgrave smelled an opportunity. As STDC's property director, Neil Thomas, told its chief executive (and former Deloitte chartered accountant) Julie Gilhespie, "Chris M is very much of the view we should resist [PD Ports'] request for this [confirmation of its emergency access routes] because it is a highly valuable right".

The ensuing battle, from which Musgrave and Corney stood to personally gain scores of millions if they won, achieved little beyond redirecting levelling up funds from the impoverished region to Mayfair lawyers. But it did prove the lengths to which Teesside's new commercial princes would go in pursuit of their fortunes *(see Ransom Notes)*.

Freeport of entry

While the businessmen planted their snouts in the Teesside trough, Houchen's star was rising. He'd turned his combined authority into a hyperactive PR operation, its output regurgitated by a fawning local press. The absence of companies committing to the site – despite Houchen having claimed in January 2020 that it was "attracting significant global interest and has generated more than 100 serious enquiries" – didn't matter. Houchen was the northern Tory who was "delivering".

So when chancellor Rishi Sunak in his March 2021 budget named the new "freeports" promised by the Tories' 2019 election manifesto, Teesside was inevitably one. It had marginally failed to qualify under the official scoring system for bids, but politics overrode technicalities. Houchen had been lobbying for the tax-advantaged policy throughout his first term and would later claim "we did in Teesside do, in effect, Boris's freeport policy, we developed it".

Just a week after the freeport announcement, Houchen could boast of his first major investment win. GE Renewables said it would build a wind turbine blade factory on the site's South Bank area, creating 750 skilled jobs and, it was claimed, 1,500 in the supply chain. This was "just the beginning" said the mayor: "Soon the entire Teesworks site will be home to thousands more jobs and Teesside will lead the UK in net zero manufacturing, energy and innovation."

With plenty of *talk* of progress on Teesside after years of stagnation, it was easy for Houchen to declare the regeneration project a personal success. Standing on this supposed "record of delivery" and a "solemn pledge" to "bring back steelmaking to Teesside", in May 2021 he won a landslide ☞

Ransom notes

Levelling up and shaking down

THE understanding between senior figures from PD Ports and STDC over the former's emergency access to its own port was never going to survive the arrival of Chris Musgrave and Martin Corney as STDC's partners.

With mayor Houchen keen for the STDC to buy PD Ports from Canadian asset manager Brookfield, Musgrave told the development corporation's chief exec Julie Gilhespie *(left)* that the matter "presents a fundamental consideration to any financial valuation". She wrote to valuers working on PD Ports' accounts informing them of the dispute – which might reduce the price the company could be bought for and put pressure on PD Ports and Brookfield to pay the "ransom" (in property business parlance) that STDC now wanted from the port company for access rights.

Relations reached a nadir in March 2021 when STDC deputy chair Steve Gibson lost his temper in a virtual meeting. "You've got 21 fucking days and Armageddon is coming," he told bemused PD Ports executives. Two days later, STDC filed a claim in the high court seeking declarations nullifying PD Ports' access routes.

Evidence in the case, heard in London in autumn 2023, exposed more about STDC's motives and tactics. PD Ports' vice-chairman Jerry Hopkinson testified that STDC director Paul Booth had told him the development corporation was "seeking to buy [PD Ports] at a discount by denying access to [its] land, turn it around and flip it to make a profit". Booth denied the comments. The judge believed Hopkinson, who had made a note of the discussion.

The court also received evidence of how vicious the dispute became. PD Ports' main entrance had flooded during heavy rain in January 2021, demonstrating the need for emergency secondary access. After a couple of hours, according to Hopkinson's evidence, Musgrave called PD Ports' chief executive Frans Calje and said, "Now you see what I can do". Calje emailed Brookfield saying Musgrave (who didn't give evidence in the case) had told him that "on this occasion he ordered the gates [allowing access to Teesport] to be opened, but that he could close it at any point he wished". A subsequent investigation by Redcar and Cleveland council found that the flooding had come from the South Bank area controlled by STDC and that drains on the road had been blocked with "cementitious material".

Under a commercial agreement in late 2021, Corney and Musgrave were given a huge stake in the dispute. They would receive commission of up to £54m on any ransom payment by PD Ports, with a similar amount to be kept by their company Teesworks Ltd.

The men's hopes were dashed on 5 February 2024, however, when Mr Justice Rajah delivered STDC and Teesworks Ltd a resounding defeat. After STDC had paid its lawyers, Forsters of Mayfair, plus the majority of PD Ports' costs, the case ended up swallowing around £7m of regeneration funds.

The tale had a farcical footnote. STDC had used a small piece of PD Ports' land for a roundabout, following the understanding on access rights. Reneging on the understanding meant STDC had trespassed on PD Ports' land. STDC thought it therefore needed to, er, move the roundabout. This required the cooperation of Redcar and Cleveland council, which Houchen and Gilhespie sought to obtain by threatening to withhold unrelated funding the pair controlled. "Ben will release town deal money as soon as he has confirmation that you have instructed the contractor on the roundabout," Gilhespie wrote to the council's managing director.

Exploiting levelling up funds intended for Redcar – which had taken more than its share of economic blows – to pay for the greed of the wealthiest Teessiders was a new low.

re-election victory with 73 percent of the vote.

Steelmaking wouldn't return to Teesside. But populist promises were fashionable. Prime minister Johnson was said to be "obsessed" with Houchen and, as the Tory party in Westminster began to self-destruct, senior ministers fell over themselves to visit Teesside for high-vis, hard-hatted photos alongside the Tory poster-boy, pointing across a vista of "levelling up" in action.

Easy options

The emboldened mayor wasted no time in consolidating his power, replacing those board members apt to question him with more compliant types. Out went businessman Steve Gibson, chemical industry veteran Paul Booth and respected civil engineer Sir Alan Cockshaw. Houchen allies, including Middlesbrough mayor Andy Preston, Redcar Tory MP Jacob Young and local PR man and one-time Tory candidate Graham Robb, dominated what was left. They were joined by a government representative, Tom Smyth, who in his spare time was completing a Houchen-friendly PhD titled, *Can Metro mayors work? A case study of Tees Valley*. This was not a body of men – and one woman in Redcar's more sceptical independent council leader, Mary Lanigan – that would get in the way of Britain's favourite Tory.

The new board was soon rubber-stamping a drastic transformation of the joint venture arrangement. At STDC's board meeting that August, finance director Gary Macdonald presented a paper explaining that changes were needed to capitalise on Teesside's new freeport status and the "five-year investment window that the resulting tax breaks bring". There had to be "a transfer of significant risk and rewards to incentivise the required pace of delivery" on the project.

Corney and Musgrave were therefore to be given 90 percent of Teesworks Ltd "in exchange for taking on the future development of the site together with the £172m of net future liabilities in preparing the site for tenants". And the option price at which they could buy the land was being reduced to £1 per acre "based on negative valuation of site". It sounded like they were getting a greater share of the bounty in return for putting up serious money and taking on more risk – but it was an utter misrepresentation.

Under the new deal, Corney and Musgrave now had the option to buy any single parcel of the land – not the whole lot, warts and all, as the papers suggested – at any time they wanted, for the nominal amount. They could do this once STDC had paid to remediate a particular plot and an investor had agreed to lease the land. Contrary to Macdonald's statements, including that Teesworks Ltd would be "responsible for funding all site remediation activity across the whole site c. £173m", the deal imposed *no legal obligation on Teesworks Ltd to fund anything!*

Even the land valuation that justified the £1 option price was based on a false premise. An internal STDC document showed it was for the whole site and based on the "assumption that the purchaser is liable for all costs of demolition, land remediation and new infrastructure installations". In reality, Teesworks Ltd wouldn't be liable for anything.

The changes still had to comply with those troublesome state aid laws. But that could be arranged with yet more flaky analysis, this time from northeast lawyers Ward Hadaway (who would go on to get plenty more work on the project). Summarising the changes for Hugh Mercer QC, Ward Hadaway said Teesworks Ltd would have the option "to purchase the [whole] site" and STDC would no longer fund development so the company would "have to source funding from elsewhere". On this basis, "Teesworks Ltd has, effectively, a negative value". Handing Corney and Musgrave a further 40 percent of its shares was therefore not a giveaway. Again, the analysis was wildly incorrect. A misinformed Mercer duly agreed there was no "state aid".

But this was all secret, for now. Nothing about the new settlement, implemented in November 2021, was published. STDC board minutes noted merely that "a number of items" on the "Teesworks development" were approved. Its legal "monitoring officer", Peter Judge, was sidelined from the decisions. The TVCA, the parent body that should have been asked to approve such major changes, was kept in the dark too.

River of money

The change in Teesworks Ltd's shareholdings did, however, make it onto Companies House records. When the *Mirror* reported it in January 2022, Stockton North's Labour MP Alex Cunningham accused Houchen of "selling the people of Teesside down the river and hiding behind a cloak of secrecy".

The mayor defended the deal in the local press, telling the *Northern Echo* "we have legal commitments that our joint venture delivery partners will invest more than £150m", and "our joint venture delivery partners also take the liability away from STDC and the taxpayer". They would "put the money in to remediate [the land]".

This was all false. The businessmen would invest no money. They would not fund remediation. They would bear no liabilities.

This deal-of-the-century was being pump-primed with taxpayer cash. The government's levelling up and business departments put in £103m for 2021/22, taking direct grants to around £134m by that point; £22m followed the next year. Yet an official "memorandum of understanding" from November 2022 showed that Whitehall continued to approve the money explicitly on the previous, less generous (50/50) joint venture set-up. The incorrect memo was even signed by STDC chief executive Gilhespie and finance director Macdonald, the same people who had overseen the change in the joint venture.

Together with nine-figure funding from TVCA and the first loan from the government's new UK Infrastructure Bank in October 2021 (to pay for the new £107m quay), by March 2022 the amount of public money committed exceeded £350m.

Rubble without a pause

A large chunk of the cash was paying for demolition work that was racing ahead of demand for the site and prompting environmental concerns.

STDC's Gilhespie would boast of "taking 2-3 years for work that was originally envisaged to take 10+ years". The fruit of this was a lot of scrap material, taken away and sold in an operation overseen by Corney's son-in-law, Kotrri. Of the scrap proceeds, half went to STDC and half as commission to Corney and Musgrave's company DCS Industrial Ltd.

When the joint venture was first set up, estimates for the value of the material were modest; the business case drafted by Deloitte consultants suggested £17m. But to anybody who knew the site, which had been closed suddenly with steel products, machinery, wiring etc *in situ*, this was always a gross underestimate. As early as January 2021, STDC was receiving estimates putting the value at £113m. In the year 2021/22 alone, Teesworks Ltd received £33.3m for scrap and £20.6m for aggregate. Much of the latter sum came from STDC paying Teesworks £4 for every tonne of rubble moved from one part of the site to another – even though the development corporation itself had directly paid the contractors involved to move it.

By March 2022, just two years after becoming joint venture partners and before a single business had signed up to the site, the businessmen led by Corney and Musgrave had profited to the tune of around £40m.

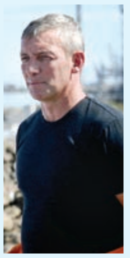
The region's rich heritage wasn't allowed to stand in the way of the gold (or steel, or copper) rush. In the autumn of 2021, the wreckers had been heading towards the Dorman Long Tower coal store, a 57m-high landmark evoking the area's mid-20th century heyday and visible for miles from its South Bank location. The masterplan had promised to retain it as "a striking symbol of the area's iron and steelmaking heritage" on a trail along the site's boundary. Campaigners successfully applied for an emergency grade II listing to Historic England, which was keen to safeguard "a recognised and celebrated example of early Brutalist architecture".

At the very least, careful consideration of the tower's future was required. Instead, Houchen stomped down to London to see new culture secretary Nadine Dorries. Citing prohibitive costs of retaining the tower (at £9m over 15-20 years, much less than was going to less deserving causes), he persuaded her to reverse the listing.

Days later, in the dead of a September night, demolition firm Thompsons blew the Dorman Long Tower, complete with iconic lettering, to smithereens. It was "an example of how *not* to take irreversible decisions about heritage", said the Twentieth Century Society.

Men in the middle

Teesside's top trouserers



CHRIS MUSGRAVE *(left)*, 59-year-old son of a Hartlepool market trader, first went into business 35 years ago with his father, refurbishing supermarkets. After ventures that included flogging Hong Kong military surplus for the Ministry of Defence during the handover to China, he moved into commercial property with deals to convert Samsung's northeast factory into his Wynyard Park Development, and the redevelopment of a former Pfizer factory in Kent into a trading estate.

Musgrave had taken an interest in the Teesside steelworks site once before. In 2010, he and controversial former policeman and Middlesbrough mayor Ray "Robocop" Mallon put together a bid after Corus mothballed the site. It came to nothing but Mallon still works with Musgrave and, along with Martin Corney's wife, sits on the board of the Teesworks Benevolent Foundation – which, to date, has dispensed little benevolence.

Martin Corney *(bottom left)*, 60, is the stepson of Darlington estate agent and property developer Ian Waller, whose residential development business, Theakston Estates, he went on to run. In 2018 and 2019, Waller made donations totalling £7,000 to Houchen, who also, it so happened, championed Theakston's "garden village" development at Skerningham, outside Darlington. The other key man at Theakston is chartered planner Chris Harrison, now "development partner lead" for Teesworks Ltd.

When Corney and Musgrave teamed up for the Teesworks venture, it was through their respective corporate vehicles, Northern Land Management Ltd and JC Musgrave Capital Ltd. Northern Land's ownership is 47 percent Corney, 25 percent a trust in his late mother's name, 18 percent Waller and 10 percent Harrison. JC Musgrave Capital Ltd is 100 percent owned by Chris Musgrave.

Corney and Musgrave kept a low profile in the joint venture's early days. But since publicity over their millions from the South Tees, they have begun to style themselves Teesworks CEO (Corney) and chairman (Musgrave).

Sharing the spoils

The demolition derby was throwing up plenty of work for the plant hire company set up by Chester Corney and his brother-in-law Carr. With Corney Snr bossing the Teesworks site, TCC Plant Ltd's excavators, hired by the contractors, began to appear. Those familiar with the operations recalled seeing only a handful, but they were soon turning in unimaginable profits.

By March 2024, these would top £17m (pre-tax), with a return on assets of almost 150 percent (the next most successful plant hire company in the UK the *Eye* can identify on this measure manages 20 percent).

BRUTAL DECISION: the Dorman Long Tower

The metal piling up across the site presented opportunities for a long-time associate of Musgrave's, too. Fellow Hartlepudlian David Garside was a former professional heavyweight boxer who'd made his way from the ring, via nightclub doors and entanglements with local criminal hardcases and drug dealers, into the security business. He now owned a firm called NE Security, in which he'd previously given his son, David Garside Jnr, a 30 percent stake. But any plans to pass the business on were thwarted in 2014 by the latter's arrest and subsequent sentence to 11 years and eight months for conspiracy to supply class A drugs as a "kingpin" in an organised crime group. This followed two previous violence offences.

Upon his release on licence in early 2020, Garside Jnr returned to work in his father's security business, ostensibly as a health and safety adviser (having acquired a qualification in prison). Garside Snr, meanwhile, had become embroiled with the taxman, running away from a £1.4m tax avoidance bill (and other creditors) using the time-honoured technique of liquidating the company responsible and continuing the business through a new firm.

None of this, all on the public record, stopped STDC awarding NE Security lucrative contracts, starting with a £2.4m deal to guard the scrap in July 2021. Subsequent deals covered security across the Teesworks site, including the high-risk freeport "customs zone" at its heart. So strong was NE Security's grip that, even after the *Eye* revealed evidence suggesting that the company was in fact being run by Garside Jnr, who signed one document as "managing director" while still under sentence and wearing a tag, STDC would give the company a renewed £9m contract.

Under this deal, NE Security, now 20 percent-owned by Garside Jnr's (romantic) partner, guards the boundaries of the customs zone, a fenced off area about the size of four football pitches (with plans for expansion), into which goods can go under simplified customs procedures.

Wind rush

The serious money for the businessmen, and political credit for the mayor, was going to come from land deals. But these required real businesses to commit to the site, and progress was not matching the hype.

The only two deals lined up were for GE Renewables to build its turbine blades on the South Bank and for BP and Equinor, teaming up as Net Zero Teesside, to construct a gas plant and carbon capture facility to the east.

In the summer of 2022, however, came bad news. GE was pulling out because of a lack of orders. Thankfully there was a replacement in the wings in the shape of Korean steel firm SeAH's turbine monopile maker, SeAH Wind. It had been weighing up Humberside but switched to Houchen's patch because, according to government papers, Teesside could "deliver to SeAH's timescales and is offering substantially more attractive terms".

These might have reflected desperation, five years after the development corporation's creation, to secure the site's first "anchor" tenant.

A visit from business secretary Kwasi Kwarteng (on the same July 2022 morning that PM Boris Johnson was offering the Queen his resignation) heralded the start of construction on SeAH's £400m factory, funded by loans guaranteed by the UK taxpayer. Kwarteng pronounced himself delighted to be escaping the "political parlour games in Westminster" to witness Houchen and SeAH "reindustrialising this part of the world".

The adjoining South Bank quay, on which SeAH would land supplies and load its finished monopiles, was also taking shape – though not without controversy. The previous autumn, deep piling into the toxic site and dredging of the riverbed had coincided with a mass die-off of crustaceans along the northeast coast. But investigations into this, still inconclusive, wouldn't stand in the way of progress.

In a small sample of emails from the time obtained by the *Eye*, one official had complained of Martin Corney's approach on the SeAH site: "It's another rush job, I'm afraid". Another talked of a complaint from Corney: "Loud speaker job, as usual."

Golden boys

Corney and Musgrave's deal with STDC, especially after the November 2021 change to a 90/10 joint venture split with the £1 land option, resembled a rigged one-armed bandit on which they could pull the lever and watch a row of cherries appear every time. In late 2022, they would do this twice: once for the SeAH site and once for the quay.

For an immediate cash pay-out, their 90 percent-owned company Teesworks Ltd exercised its option to buy the 90-acre South Bank site that SeAH had signed up to at a price of… £96.79 plus VAT. It simultaneously leased this land for 40 years to TVCA for £3.65m a year, while TVCA leased it on to SeAH for £4.3m (giving the public body £0.65m for bearing the risk of the Korean company defaulting). Teesworks Ltd then sold its income stream to an investment fund managed by Australian asset manager Macquarie for £93m.

After a £15m side payment by Teesworks Ltd to STDC's South Tees Developments Ltd (a hangover of the cancelled GE Renewables deal) and £10m to compensate TVCA for a rent-free period in the deal given to SeAH, the instant profit for Teesworks Ltd was £68m – i.e. £93m in income less the £10m, £15m and, er, £96.79p.

The net public expenditure to make this possible – paying for land remediation and infrastructure and ignoring the risk of SeAH not lasting the course – was £51m.

A few weeks later, Teesworks Ltd also snaffled up the South Bank quay. The price this time was… £13.56 plus VAT. The profits to be made here were longer term, flowing from a concession given to another Corney and Musgrave company, Teesworks Quay Ltd, to run the quay.

This company will earn fees from port users such as SeAH and pay a "tonnage fee" to STDC based on the business going over the quay. STDC will then use the tonnage fee income to service and repay the £107m loan (later increased to £113m) from the UK Infrastructure Bank.

But, crucially, Teesworks Quay Ltd pays the tonnage fee, up to a maximum of £4m per year, *only* if it has sufficient profits. And these profits are after it has paid fees for sub-contracting the running of the quay to another company, entirely owned by Corney and Musgrave, called Steel River Quay Ltd (which then further sub-contracts operations to real port operating companies). In other words, Corney and Musgrave get profits from the quay before they have to pay anything back to STDC, while the public is left on the hook for the debt that funds it all.

Scrutiny of the bounty

When the *Eye* revealed these hidden transactions in April 2023, in the process exposing the £1-per-acre option price, the extravagant generosity of Houchen's joint venture deal was laid bare.

In the Commons, Middlesbrough Labour MP Andy McDonald complained that the "only economic growth… is being delivered to the accounts of Ben Houchen's pals Messrs Musgrave and Corney". He wanted "a full investigation of this industrial-scale corruption".

The regional mayor who'd made it all possible decided it would be a good use of public money to get advice from libel lawyers Carter-Ruck on suing McDonald and the *Eye*. The bill of ☞

Delos boys

Old idea, new beneficiaries

ALMOST a decade ago, former Goldman Sachs banker and Californian hedge fund manager Rishi Sunak needed a big idea if he was going to make it in high politics.

So in November 2016, 18 months after becoming MP for Richmond, Sunak teamed up with the Centre for Policy Studies to publish *Freeports Opportunity.* "Around 2,500 years ago the triremes of the ancient Mediterranean – piled high with traders' wines and olive oils – found safe harbour in the Free Port of Delos, a small Greek island in the waters of the Aegean," he wibbled. "Offering respite from import taxes in the hope of attracting the patronage of merchants, the Delosian model of a 'Free Port' has rarely been out of use since."

The theory was that materials could be brought tariff-free into a freeport and turned into finished goods, which incur lower tariffs, before moving into the main economy or being re-exported. It might have worked for Delos but, with UK import tariffs vanishingly low even post-Brexit, it was next to useless.

The Cameron government had let Thatcher era freeports fizzle out. The EU had clamped down on their use because of the tax-dodging and smuggling risks. Yet when arch-Brexiter Sunak rose to be chancellor and then a prime minister desperate for "Brexit benefits", freeports were pretty much all he had. Challenged by journalist Andrew Marr on LBC, during his 2022 leadership bid, as to what he could achieve because of Brexit, Sunak had a swift response: "I'm already in the process of delivering one and that's freeports. Go to Teesside today where there's a freeport where the mayor of Teesside has championed it… That's the type of radical thing we can do."

But it was far from radical. The government's Office for Budget Responsibility said freeports, full of tax breaks, "alter the location rather than the volume" of investment and overall effects were "difficult to discern even in retrospect".

The white elephant policy nevertheless had to be seen as a success. When it came to the flagship freeport on Teesside, that meant plenty of taxpayer cash and no questions.

£7,000, modest by Carter-Fuck's standards, suggests the normally sue-anything-that-moves firm quickly told him he had no chance.

Teesside was at last attracting attention beyond the pages of the *Eye* and the *Financial Times*. The following month, Houchen faced BBC *Newsnight*'s Victoria Derbyshire. When she put to him the something-for-nothing nature of Corney and Musgrave's deal, he insisted they were "committing all of the money to remediate the site and deliver investment and they're taking on that liability, that's not the taxpayer now, that's their liability".

This was entirely untrue. The men paid nothing for remediation on the SeAH site or any other. Houchen's own STDC board had recently confirmed that it, not Teesworks Ltd, would "conduct all future land remediation for development prior to Teesworks Ltd drawing down its option".

The public were being taken for fools and calls for an investigation intensified. Shadow levelling up secretary Lisa Nandy demanded the National Audit Office be brought in. The Commons business select committee chair, Darren Jones, wanted the auditors to look at the affair as part of his inquiry into freeports. Levelling up secretary Michael Gove had to do something but stopped short of ordering a full NAO investigation, instead commissioning a more limited review to be led by Lancashire council chief executive Angie Ridgwell.

Gulf shots

As Ridgwell began her work, the *Eye* was discovering activities Houchen had been unusually coy about. In June 2022, the mayor conducted what he called a "trade mission" to Albania and publicised his meetings with prime minister Edi Rama and Tirana mayor Erion Veliaj (the latter now in jail accused of corruption, though in no way linked to this episode). While Houchen posed for the usual snaps, kept out of shot (and press notices) were his two travelling companions: Martin Corney and Orion Kotrri. Only an indiscreet video from the Tirana mayor's office, posted on YouTube, gave the game away. The trip was billed as promoting cooperation in air travel and education, so quite what Corney, hard-bitten property developer and nobody's idea of a diplomat, and scrap-man Kotrri were doing there was anybody's guess.

Mystery also surrounded a trip to Qatar in December, funded by a Qatar foundation and about which Houchen was uncharacteristically silent, until the Eye discovered a few months later that it also involved an undeclared attendance at a football World Cup semi-final.

Such benefits paled, however, next to what Corney and Musgrave and their families were now enjoying. For Musgrave's sons, life was a string of Rolls-Royces and Lamborghinis. Both were understood to be stepping into the business, his younger son billed as "business manager Teesworks/Steel River Quay" at one conference. Chris Musgrave also had what looked like more tax-efficient uses for his money. In August 2023 he rented an apartment in the Royal Atlantis Resort (*pictured*) on Dubai's famous "Palm". Information in the Organised Crime and Corruption Reporting Project's *Dubai Unlocked* files reveals he was paying Dh3m a year, equivalent to £50,000 per month. He was now said to be based in Dubai, although he declined to answer whether he was using this to

shed his UK tax residence. Such a move, if sustained for five years, could produce a nine-figure tax saving when he cashes in his Teesworks interests.

It wasn't hard to see how these lifestyles were funded. By March 2023, the businessmen had extracted £24m in dividends from Teesworks Ltd, as well as £39m in consultancy fees through their DCS Industrial Ltd vehicle. And this was far from the limit of their profiteering *(see Didn't They Do Well?)*.

Tees mugs

Whatever the excesses emerging from Teesside, the Tory government, by now led by freeport champion Rishi Sunak, offered unconditional backing to the mayor it had adopted as its poster-boy.

When Labour's Lisa Nandy led a Commons debate on the scandal in June 2023, demanding to know why the NAO had been held back, Houchen's acolytes lined up to defend him. A melodramatic Simon Clarke, the Liz Truss-supporting MP for Middlesbrough South and East Clevelend, denounced criticisms as "a cynical, shameless, seedy attempt to talk down Teesside". (He didn't feel the need to mention a £2,500 donation he'd received in 2019 from Corney's stepfather, Ian Waller.) Junior minister Lee Rowley claimed the "cold, hard facts" were "half a decade in bringing jobs, growth and economic development". Given the money the taxpayer had put in, the record was unimpressive. But evidence wasn't the point. Gove would pre-empt the review he had commissioned by telling MPs that Houchen was a "great and visionary leader" in whom he had "full confidence".

By late 2023, the mayor's vision looked distinctly blurry. In July he'd predicted that "before the end of the year, if we haven't contracted more than 50 percent of the site I'd be surprised". Yet the figure remained stubbornly low at around 15 percent, accounted for by the SeAH and Net Zero Teesside projects. If there really had been "100 serious enquiries" as he'd said three years previously, the conversion rate was dismal.

Houchen would blame the allegations concerning the project for deterring inward investment. There may have been some truth to this; the *Eye* also heard that the cosy set-up and deals for friends and family were proving a turn-off for serious businesses.

Wire transfer

As interest from serious industry waned, the market for vast areas of former industrial land was changing in ways that would again reward Corney and Musgrave.

Firstly, demand for energy storage facilities, only ancillary to the 2019 masterplan, had grown as the variability of green energy sources compromised their effectiveness in an age of energy insecurity. Secondly, expanding computing power and the rise of AI meant that large data centres became a serious prospect.

These deals will generate tens of millions of pounds for Teesworks Ltd but nothing for the public sector beyond the business rates that would be due from any businesses occupying the site.

A similar project up the east coast in Blyth at around the same time showed the kind of money ordinary Teessiders are missing out on: Northumberland council was charging the Blackstone investment group £110m to use a site for a 133-acre data centre.

The new generation of deals will enrich the businessmen not just through land transactions but also via yet another asset over which they have gained control. This is the local private wire network, developed for the area decades earlier and still capable of providing cheaper access to power than the regulated National Grid. The bulk of the assets that made up the network – the wires, substations etc – were on the regeneration site. So, when Teesworks Ltd bought a plot of land under its option, it would acquire part of the network – although, to avoid fragmentation,

Didn't they do well?

Regeneration game's £1bn potential

WHEN Teesworks Ltd began filing accounts, it became clear just what a bonanza Chris Musgrave and Martin Corney were given.

By March 2024 Teesworks Ltd had made profits before tax amounting to £96.4m. Of this, £8.7m had been paid to STDC as dividends under the pre-November 2021, 50/50 arrangement. That meant £87.7m for the stake controlled by Corney and Musgrave – but this was after payments to their company, DCS Industrial Ltd, of £47.4m. At this stage, then, they had made around £135m pre-tax profit for themselves. (Although STDC owns 10 percent of Teesworks Ltd, under the November 2021 deal, it won't be entitled to any of Teesworks Ltd's profits until these exceed several hundreds of millions of pounds.) Not bad for four years without investing or risking a penny, as Teesworks Ltd's accounts confirm.

From their haul, the men had extracted £83.6m (including the £47.4m DCS fees). They had another £34m available in profits sitting in Teesworks Ltd.

Future paydays are likely to improve on the SeAH Wind deal, which offered cheap rent to an "anchor" tenant. Figures for the energy storage projects lined up suggest rates around 40 percent higher. Across a conservative 1,600 "developable" acres, that would mean land profits alone exceeding, er, £1bn.

One unanswered question is what Corney and Musgrave have done for these riches. While Corney rules the roost on site and Musgrave calls the financial shots from Dubai, the big contracts are all project-managed by major firms like AtkinsRéalis and Faithful&Gould. The men's poor record in attracting investment hardly justifies the riches, while the lucrative pipeline of data centres and battery storage sheds will owe more to government initiatives than their efforts.

What Corney and Musgrave have excelled at is wangling heads-we-win, tails-you-lose deals from a mayor with high political ambitions but zero commercial acumen.

it was agreed that Teesworks Ltd would exercise the option so as to buy the electricity infrastructure as a single asset. When it did so in October 2024, it paid precisely £10.91p for assets that included 20 substations.

The importance of this network was made clear by the mayor in comments to the STDC board in early 2025. "The biggest problem in this country is not actually planning," said Houchen. "It's energy connectivity and energy networks." There would be "investors that will come to this site, not because of the freeport, not because of the land, but because we are the only place in the country that can give them a big enough connection". Such was the advantage that "some of the largest IT companies that you can probably guess in the world are talking to us about building data centres here purely because of our energy connection". STDC chief executive Gilhespie called the network "the USP [unique selling point] of this site".

Corney and Musgrave couldn't, of course, run a power network any more than they could a quay. So Teesworks Ltd, having acquired the network under its land option, would transfer it to a joint venture: Steel River Power Ltd. This was 50 percent owned by North West Electricity Networks (NWEN), the other half owned by Corney and Musgrave and STDC in the usual 90/10 split. The businessmen therefore ended up with 45 percent and the taxpayer, in the shape of STDC, with 5 percent.

While Corney and Musgrave would contribute the infrastructure to the joint venture, NWEN would put up the £40m needed to upgrade the network to deliver a potential 1.4 gigawatts. The profits from charging customers – such as SeAH and any new data and energy companies on the Teesworks site, as well as a host of neighbouring businesses beyond it – will be split in line with the share ownership.

For about the price of a dozen Duracell batteries, Corney and Musgrave had bagged themselves another zero-investment, risk-free cash machine.

Men of steel

One likely customer for the power company will be British Steel, now in the unreliable hands of Jingye from China, but still running a beam mill at Lackenby, bordering the STDC-owned land.

Noises from British Steel that it might locate a new scrap steel-recycling "electric arc furnace" had been behind Houchen's pre-2021 election promise to "bring back steelmaking". So when in November 2023 the company proposed closing its blast furnaces in Scunthorpe and replacing them with electric arc furnaces there and in Teesside, the mayor was triumphant. "I promised to bring steelmaking back to Teesside," bragged the recently ennobled Lord Houchen. "Today British Steel have announced it will build a new electric arc furnace at Teesworks. Promise DELIVERED."

British Steel hadn't, in fact, made a decision. But it presented a good photo-opp at which Houchen would stand alongside British Steel president Xijun Cao and none other than Chris Musgrave and Martin Corney. "This project would not have happened," said Houchen, "without our joint venture partners." Since the project wasn't on the Teesworks land they controlled, this sounded odd. But the private wire network explained all.

In the weeks around the steel announcement, detailed discussions took place not just between British Steel and Lord Houchen but also with representatives of Theakston Land, Corney's housing development company. "Electrical supply" was consistently on the agenda and Houchen and Corney wrote jointly to Xijun confirming the "commercial offer for the connection and operation on the Teesworks private wire network". With an electric arc furnace demanding in the order of 100 megawatts of power, this would be big business for the wire network.

The other matter on the agendas was "scrap supply". And, by another of those special Teesside coincidences, during these discussions brothers-in-law Chester Corney and Thomas Carr set up a new company, TCC Metals Ltd. Carr described it as TCC's "new metal recycling division". If the new furnace came off, it would demand perhaps 1m tonnes of scrap steel annually, so promised to be a lucrative customer.

There were already indications that TCC was being introduced to British Steel. Before the end of the year, Carr was boasting of his new operation exporting its first "consignment from our British steel [sic] contract". By March 2024, after less than six months, TCC Metals had made £439,000 in profits. And in other signs of succession on Teesside, Carr and Chester Corney would also set up TCC Energy Ltd, with the stated task of "production of energy".

Mayor culpa?

While the future was being carved up, Angie Ridgwell and her team had been studying the past. Despite STDC's obstructiveness, which had "reduced our confidence that we have been given access to all relevant materials", and having "not been able to pursue all lines of evidence or examine all transactions", the 75-page *Tees Valley Review* they published in January 2024 presented a litany of failings and misrepresentations by Houchen and his team.

Among these were decisions involving nine-figure sums made by his board on false premises; central government being misled; legal approvals given on incorrect instructions; and authority unlawfully arrogated by Houchen. All of which, they confirmed, produced investment-free and risk-free fortunes for Corney and Musgrave.

Overall, said the reviewers with some understatement, there was insufficient "transparency and oversight across the system to evidence value for money". The "principles of spending money are not being observed", and many decisions "do not meet the standards expected when managing public funds" *(see Damning Verdict overleaf)*.

The report did, however, contain one line for Houchen to cling to. "Based on the information shared with the panel," said the reviewers, "we found no evidence to support allegations of corruption or illegality."

The mayor and his PR advisers had what they needed. "While we were vindicated by this report and it made clear that there was no wrongdoing at Teesworks," said Houchen (incorrectly), "we recognise and welcome the recommendations it made so we can continue to improve our processes." All fine, just some procedural tweaks required, in other words.

While most of the media ran with this deceptive line, Houchen didn't escape questions entirely. When he did face them, he adopted the tried and tested strategy of denying reality. Interviewing the mayor on BBC *Politics North*, Richard Moss quoted the precise wording of one finding – that Teesworks Ltd "can 'cherry pick' the sites". This prompted the following exchange:

Houchen: "No, they can't cherry-pick sites, Richard."

Moss: "That's what the report says."

Houchen: "Richard, again, this is typical BBC…"

Back on *Newsnight* the following week, Victoria Derbyshire put to Houchen how the report exposed his misleading appearance eight months before. "You said to our audience they [Corney and Musgrave] had 'spent millions'," she reminded him. "That was not true and we know that because the independent report says, 'At this juncture the joint venture partners have put no direct cash into the project'. What you said was untrue." The best Houchen could offer was to cite an irrelevant paragraph saying there was "£50m in a bank account" (thanks to the SeAH deal and scrap sales). It was desperate stuff.

These were rare instances of Houchen facing scrutiny and the excoriating *Tees Valley Review*, which would have caused a complete overhaul of any other public body, had few direct consequences.

Perhaps the most important of the report's 28 recommendations, that STDC should if possible "negotiate a better settlement for taxpayers under the JV agreement", went nowhere. Chief exec Gilhespie reported that the businessmen had declined to make changes because legally they didn't have to. Musgrave had told her he and Corney had taken on "a dog with fleas". If they had, it was a best-in-show pedigree which the taxpayer paid to have treated before gifting it to the businessmen.

Flexible Labour

The controversy didn't stand in the way of another re-election for Lord Houchen, in May 2024. Again, he was happy to misrepresent, brazenly telling the televised hustings that the Ridgwell report "says that it [the Teesworks deal] was value for money" when it had explicitly declined to find this and strongly implied the opposite.

But lying to the electorate made no difference. There were plenty of PR opportunities to obscure the truth. The day before the election, Houchen summoned hundreds of contractors to the South Bank Quay to stand behind huge "Vote Ben Houchen" banners, giving them the rest of the day off from their publicly funded work (but not registering a donation in kind). And, although British Steel would drop the Teesside electric arc furnace idea before long, for now he still claimed to be the man who brought steelmaking back to Teesside.

Not all the region's business leaders were onside. Houchen's one-time backer and deputy chairman at STDC, Steve Gibson, was aghast at what had happened since his ousting three years earlier. He would have blocked the 2021 change to the joint venture which, he said, had cost "hundreds of millions of pounds" and was "giving away our children's future".

The Labour opposition in Westminster also sharpened its attack. Deputy leader and shadow levelling up secretary Angela Rayner described the Ridgwell report as a "scathing assessment of Tory mismanagement", adding that Gove "must now refer this case to the National Audit Office". Keir Starmer visited Teesside shortly before the July general election and said the affair "screams out for an inquiry". In office, though, prime minister Starmer and deputy PM Rayner proved incapable of simultaneously backing devolution and holding those misusing the power to account, as they had promised.

While the new government procrastinated, others remained unimpressed. EY, new auditor for TVCA and STDC, found multiple weaknesses and "disclaimed" its audits. Soon afterwards, Gilhespie resigned with an unexpected £200,000 package, to be replaced by property man John Barnes (with whom Musgrave had worked in the past). In April 2025, Rayner's junior minister Jim McMahon finally issued a "best value notice" to TVCA under local government law. This demanded a "holistic improvement plan" ☞

False profits

Airport losses stack up

BEN HOUCHEN's mayoralty-winning airport purchase soon began to look a doubtful use of £40m. Losses kept forcing TVCA to bail it out. By March 2024, the airport and its holding company had debts to the combined authority of £151m and had made eight-figure losses that year.

The mayor's response was misrepresentation. In August 2024, before the 2023/24 results had been published, he stood behind a banner proclaiming "first profit in a decade". This was based on a measure of day-to-day profit that incorrectly included spurious revaluations of property, later removed in the audited accounts. The airport actually made a £4.2m loss on this measure (more than before he'd bought it), and overall the airport group loss for 2023/24 was £13m after financing costs. This was Enron-style accounting deception.

If the true results do scupper Houchen's gamble and close the airport, two men who will profit from their option to lease land that now benefits from publicly funded improvements are… developers Martin Corney and Chris Musgrave.

The latter certainly won't be surprised. In 2014, after he'd bought the closed Manston airport in Kent (later selling it on), he told a local MP that "small regional airports lose money", adding that he'd declined a chance to buy Teesside's airport the previous year.

and a few other commitments but not much more. Houchen claimed, with some justification, that it was "the minimum the government could have done without doing nothing". A couple more heads did roll, including that of STDC finance director Gary Macdonald, who (with Gilhespie) had done so much of Houchen's bidding only to be unceremoniously dumped.

But there was no such accountability for the mayor. He did have to relinquish his chairmanship of STDC, given the conflict with chairing TVCA that had been allowed for years. But he replaced himself with a loyalist in energy consultant David Smith, who had been on the STDC board for eight years, nodding through the dubious deals. Houchen's control appeared undiminished and he'd avoided the full-scale inquiry Starmer and Rayner had demanded in opposition.

A financial reckoning could yet come for the project that has now swallowed £650m of public money, however. Recent board papers show STDC is going cap-in-hand to the combined authority to request payment holidays on £244m of its £405m debts to TVCA. But getting this, says the combined authority, is dependent on "the ability of TVCA [i.e. local taxpayers] to bear the c£10m interest costs during the holiday period".

There would be no such troubles if STDC hadn't handed over the income from its land (and much else) to Messrs Corney and Musgrave. The existing deals and the pipeline of those to come would easily have covered the shortfall.

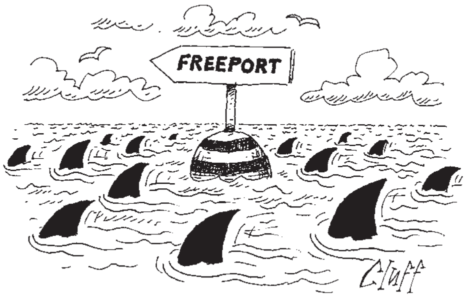
Ending the cycle

In weathering any financial storm to come, Houchen will be helped by more good fortune in the form of the Labour government's zeal for AI and the vast data centres it demands.

Thanks to the STDC area's wire network and plentiful water for cooling, what should have been a site of industrial regeneration is also a prime location for AI infrastructure. Houchen has been assiduously using his region's advantages to schmooze Peter Kyle, secretary for science and innovation until September and now business secretary.

Kyle confirmed that "the government will put its full weight behind Teesworks and Teesside International Airport becoming an AI growth zone". Houchen, Corney and Musgrave, restyling themselves the "South Tees Group", have already proposed a 110-acre data centre that would encroach on land earmarked for a "blue hydrogen" plant alongside BP's Net Zero Teesside operation. The move clearly conflicts with the mayor's previous claim that "the clean energy sector is central to my plan for jobs". The data centre won't produce much employment but the Teesworks deal ensures it and others to come will generate hundreds of millions of pounds for Corney and Musgrave.

The winners from this next phase in Teesside's history won't be the people of this deprived area. They will, once again, be the men who have built political and financial fortunes on the back of a plan to reinvigorate a region decimated by previous economic mismanagement. If the cycle of devastation is not to keep repeating, and regional devolution is not to become a byword for scandal, one essential investment is a full official investigation into the legal steal on the Tees ■



Damning verdict Independent review confirms the *Eye*'s findings

IN JANUARY 2024, Angie Ridgwell delivered her Tees Valley Review, a searing indictment that found...

1 Deals done in secret

When the original 50/50 joint venture deal was struck, "the explanation to the STDC board omit[ted] to cover important details such as the absence of any obligation on the part of the JV partners to input any funding or deliver any outcomes". The secrecy and absence of scrutiny "may have a corrosive effect on public trust".

When the crap deal on scrap was then struck, there was "no evidence of any formal decision making… and given its financial impact alone (£75m) it should have been taken to the STDC board…"

2 Government funders misled

Money was initially approved on a public sector model which "has fundamentally changed over time with the JV arrangements". But these "changes have not been reflected in the underpinning financial model, including the financial proposition in the BEIS [business department] business case".

On the quay: "£20m of government grant has been received… [with] an obligation… that it should not benefit any particular private sector body… but given Teesworks Ltd are to receive all operating income from the Quay… it is likely that they are the direct beneficiaries".

3 Move to more generous 90/10 joint venture deal unjustified

"There is little by way of substantive evidence to support the necessity for changing the structure or for the extent … [and] there is little in the way of contractual obligations [on Corney and Musgrave] in consideration of the additional shareholding and future revenue stream".

4 STDC board was misled on 90/10 joint venture

"The land valuation [£1] included in the report [for board approval] quotes £172m of net future liabilities in preparing the site for tenants and is explicitly based on the full site passing to Teesworks Ltd… although it was clear it was never the intention for the whole site to be drawn down by Teesworks Ltd in that way".

5 STDC board was misled on quay deal

"The [board] report… suggested that all revenue flows from the £450m Quay are to flow to STDC. There is no clear approval to [sell] the Quay to Teesworks Ltd or to give them access to the full operating profits… although that is now what has occurred".

6 90/10 joint venture not value for money

The "degree to which risk transfer and value for money could be achieved could only be justified by future developments being progressed at risk by the JV". As the rest of the report showed, they don't involve any such risk, and the deal is therefore not value-for-money.

7 False justification for the £1/acre option

"This was explained [to the STDC board] to be in return for the commitment of Teesworks Ltd to undertake future remediation and development activity. However, the legal documentation doesn't impose any such obligation… and there is no evidence that Teesworks Ltd has yet done so."

8 Lawyers were misled into approving deals

On the 90/10 joint venture: "Counsel's opinion [that it 'didn't constitute unlawful state aid'] was also based on the premise that the whole site was to be transferred to the JV whereas [in] reality Teesworks Ltd is able to drawdown individual plots… and under no obligation to draw down any particular plot. This enables TWL to 'cherry pick' the sites…".

On the scrap deal, the "instruction [to Counsel] did not identify that the existence of scrap largely flowed from estimated spend of £142m on demolition and an unquantified spend on initial remediation entirely funded by the public sector".

9 All public and no private investment

"There has been no private investment to date, whilst over £560m of public funds have been spent or committed." Further: "The JV partners have put no direct cash into the project and have received nearly £45m in dividends and payments [by mid-2023], and hold £63m of cash from the SeAH income strip in Teesworks Ltd accounts."

There is an "absence of any contractual requirement for Teesworks Ltd to undertake further remediation/development on any particular plot".

10 No downsides for the 'clearly astute, commercial businessmen'

On the site generally, the "JV partners (Corney and Musgrave) bear no risk or liability if the site is not progressed".

On the quay, "there has been no financial risk transfer to [Teesworks Ltd]".

11 Cronyism reigns

Corney's and Musgrave's "influence has clearly extended to recommendations in respect of a number of appointments and decisions that STDC made… this represents poor judgement".

12 Democratic deficit

There was "a collective view that STDC may act largely independently of TVCA and without public accountability". This was not just about Houchen's power-grab, though. Council leaders and officers "within the constituent authorities appear to have a limited understanding of what is going on within STDC and little curiosity to explore and understand the decisions being made".

If this was the model for regional devolution, it needed some work.