

## **CABINET DECISIONS ON REPORTS PREVIOUSLY CONSIDERED BY THE CORPORATE SERVICES AND ECONOMIC GROWTH OSC**

The following reports were presented to the OSC on 24 September and 22 October 2018 for comment prior to determination by the Cabinet.

The following is an extract from the Cabinet minutes of 9 October 2018:

### **(1) Budget 2019-20 and Medium Term Financial Plan 2019-22**

The report detailed provisional additional budget proposals for 2019-20 to 2021-22 to meet the remaining budget gap, as a basis for budget consultation, prior to the receipt of the Local Government Finance Settlement 2019-20 in December 2018 (copy attached to the signed minutes as Appendix A).

A revised report from the Economic Growth and Strategic Services OSC had been circulated.

Councillor Oliver advised that in September, £36m of savings had needed to be found. Work had been ongoing since then, and this report identified measures of £24m to bridge a significant proportion of the gap. A lot of progress had therefore been made to address the challenging position, but there were still difficult decisions to make.

The Leader commented on the chaotic state of the Council's finances when the current Administration had taken over and a number of emergency aid measures had had to be implemented to maintain services. The £65m gap had been reduced to £36m, which was achievable over three years and the Council's finances would be brought back on track. The Administration had an ambitious and optimistic programme for the County but the organisation needed to be fit for purpose to be able to deliver that, and he gave a commitment that front line services would be maintained.

Councillor Riddle reiterated that the Administration was 100% behind the Fire and Rescue Service and no cuts were proposed to either appliances or firefighting staff, contrary to recent media reports. In fact, investment was being made in the Fire and Rescue Service to create a better front line service.

**RESOLVED** that:

- (a) the provisional additional budget balancing measures totalling £24 million, be approved as a basis for budget consultation, prior to the receipt of the Local Government Finance Settlement 2019-20;
- (b) it be noted that there are still budget balancing measures of £3.0 million required to be identified over the term of the Medium Term Financial Plan;

- (c) the savings proposal regarding the reduction to the non collection rate for Council Tax of 0.5% (from 1.2% to 0.7%) with effect from 1 April 2019 be noted; and
- (d) the revised report of the Corporate Services and Economic Growth OSC be noted.

**(2) Revised Governance for Loans to Arch**

The report sought agreement to a revised governance procedure for managing the loan facility relating to Arch and Advance Northumberland (copy attached to the signed minutes as Appendix B).

Councillors Jackson and Wearmouth declared personal interests in this item as Directors of Arch.

Councillor Oliver commented that this was a really important report and would introduce a proper process for investment decisions which had previously been lacking. The various areas of risk and how they would be managed were detailed in the report. Previously, the information to the Council on which to base loan decisions had been scant. This would not be the case going forward, with a more financially prudent approach being adopted.

Councillor Bawn advised that this had been subject to thorough discussion at Scrutiny. The majority of members had supported the report's recommendations, though some opposition members had not.

Councillor Sanderson recalled the very short time that members had been given at Council to consider the proposal to grant a very significant loan to Arch, which had not been supported by the Conservative Group.

Councillor Wearmouth commented that a lot of work had gone into the governance arrangements detailed in the report to make sure that they were fit for purpose. The previous unregulated process had led to a decision to buy executive homes which the Council would never see a return on, and the speculative purchase of a shopping centre.

**RESOLVED** that:

- (1) the risk and governance issues surrounding the current process for granting loans to ARCH be noted;
- (2) the revised decision making and governance procedure as set out in the report be approved;
- (3) the report of the Corporate Services and Economic Growth OSC be noted.

The following is an extract from the Cabinet minutes of 23 October 2018:

**(3) Advance Northumberland - Transition from Arch**

The report set out the steps required to transfer the business activities of Arch (Corporate Holdings) Ltd to a new entity, Advance Northumberland Ltd. The financial transactions required, and the impact on the Council as the ultimate parent were analysed within the report (copy attached to the signed minutes along with the report of the Corporate Services and Economic Growth circulated at the meeting). Councillor Oliver presented the report, advising that the Administration had felt it necessary to create a new development for this operation. The assets, liabilities and trading operation would transfer to the new company and the report set out the mechanism for that. He stressed that the net result of the transfer would be nil financially, despite social media reports to the contrary, as the funding transferred would be repaid to the County Council as a dividend.

Councillor Jackson felt it was important to mark this decision as the start of a new way forward for economic development in Northumberland, a way forward which would support local business and identify areas in real need of help and regeneration. This focus on Northumberland would make outcomes better for local people, and a number of projects were already underway to improve towns across the County.

Councillor Oliver advised that staff in the subsidiaries would transfer to the new company. Combined with the new loan governance arrangements previously agreed by Cabinet, and the development of an operating agreement between the company and the County Council, there would be a very safe operation to deliver genuine economic development across the county with clear lines of responsibility. He referred to the amended recommendations 2 and 4 highlighted by CSEG OSC to reflect that the decision on those points lay with Council.

Councillor Bawn advised that CSEG OSC had requested a copy of the final governance arrangements for Advance Northumberland so they could be kept informed, and that it had been made clear to members that the £4.2m referred to in recommendation 6 would be repaid, so the net cost would be zero. Councillor Wearmouth confirmed this would be a cash neutral transaction which would allow the the end of Arch and the establishment of a new company which would not get involved in the practices it had done in the past, and would bring positive benefit all across Northumberland. Staff were already making progress in a number of projects and getting on with the business of regeneration. Previous wasted efforts and opportunities were to be lamented.

Councillor Daley commended staff for the exemplary way in which they had continued to perform in very difficult circumstances, and felt this was a great opportunity for the public to understand that this company had been created to focus on regeneration.

**RESOLVED** that:

- (a) the steps required to transfer the assets, liabilities and trading operations of Arch (Corporate Holdings) Ltd to Advance Northumberland Ltd be noted;
- (b) Council be recommended to approve the purchase by the Council of additional share capital in Advance Northumberland Ltd. totalling £3.3 million;
- (c) the proposed purchase of the subsidiaries of Arch (Corporate Holdings) Ltd. by Advance Northumberland Ltd. for £3.3m be noted;
- (d) Council be recommended to approve the purchase by the Council of additional share capital in Advance Northumberland Ltd. totalling £0.9 million representing the nominal value of trade and assets;
- (e) the proposed purchase of Arch (Corporate Holdings) Ltd. trade and assets at a nominal value of £0.9 million by Advance Northumberland Ltd be noted;
- (f) it be noted that an amount equivalent to the share, trade and asset purchase (£4.2 million) will be returned to Northumberland County Council via a dividend payment upon the dissolution of Arch (Corporate Holdings) Ltd;
- (g) the agreement of any variation in the share purchase value and purchase of trade and assets be delegated to the Chief Executive and Executive Director of Finance in consultation with the Portfolio Holder for Corporate Services; and
- (h) the report of the Corporate Services and Economic Growth OSC be endorsed.

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