

NORTHUMBERLAND COUNTY COUNCIL

CABINET

At a meeting of the **Cabinet** held in Committee Room 1, County Hall, Morpeth on Tuesday, 23 October 2018 at 11.30 am.

PRESENT

Councillor P.A. Jackson
(Leader of the Council, in the Chair)

CABINET MEMBERS

Daley, W.
Homer, C.
Jones, V.
Oliver, N.

Riddle, J.
Sanderson, H.G.H.
Wearmouth, R.

OTHER MEMBERS

Bawn, D.
Flux, B.
Gallacher, B.
Grimshaw, L.

Hill, G.
Roughead, G.
Seymour, C.
Stewart, G.

OFFICERS IN ATTENDANCE

Angus, K.

Hadfield, K.

Henry, L.

Lally, D.

Johnston, P.

Scarr, B.

Executive Director of HR/OD and
Deputy Chief Executive

Committee Services and Scrutiny
Manager

Legal Services Manager

Chief Executive

Interim Executive Director of Place

Executive Director of Finance and
Deputy Chief Executive

4 members of the press and public were present

Ch.'s Initials.....

52. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Dodd.

53. DECLARATIONS OF INTEREST

Councillors Jackson and Wearmouth disclosed interests in item 3(1) on the agenda as Board members of Arch.

Councillors Riddle and Jackson disclosed personal and prejudicial interests in item 4 on the agenda (Urgent Business - Report of the Legal Services Manager - Provision of Indemnities in Respect of Legal Costs), as parties involved, advising that they would leave whilst this matter was considered.

54. REPORT OF THE EXECUTIVE DIRECTOR OF FINANCE AND DEPUTY CHIEF EXECUTIVE

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.

Councillors Jackson and Riddle, and Mrs Lally left the meeting at this point.

Councillor Daley in the Chair

55. URGENT BUSINESS

The Chair had agreed that this matter could be taken as urgent business because late notice had been received from the three individuals' solicitors of the need for further advances.

REPORT OF THE LEGAL SERVICES MANAGER

Provision of Indemnities in Respect of Legal Costs

The report sought Cabinet's agreement to grant a further advance of monies under the indemnities granted to Councillor Peter Jackson, Councillor John Riddle and Mrs Daljit Lally OBE by Cabinet at its meeting on the 24th July 2018 in respect of legal costs likely to have to be incurred by them in relation to the action currently being taken by the developers of the Dissington Garden Village (copy attached to the signed minutes).

Councillor Oliver reminded members of the report which had been agreed by Cabinet in July and the provision within the report for an extension to the

indemnity following receipt of Counsel’s opinion that it was reasonable. It was important that each individual had separate legal advice to the Council itself and that they could defend themselves, or it would be the case that any large organisation could attempt to undermine proper process and intimidate individuals.

Councillor Daley drew members’ attention to the protection provided by paragraph f of the report in that if any of the individuals were proven to have acted improperly or illegally or outside their authority, then the Council was entitled to be refunded all costs paid out under the indemnity.

RESOLVED that a further advance of monies be granted under the indemnities granted to Councillor Peter Jackson, Councillor John Riddle and Mrs Daljit Lally OBE by Cabinet at its meeting on the 24th July 2018, in respect of legal costs likely to have to be incurred by them in relation to the action currently being taken by the developers of the Dissington Garden Village. Such advances to be in the sum of £15,000 in respect of each individual, subject to receipt of Counsel’s opinion that it is reasonable for the Council to extend the indemnity in this manner, and subject to the terms previously set out at the Cabinet meeting in July 2018, which were set out in full elsewhere in the report.

CHAIR.....

DATE.....