



Northumberland

County Council

CABINET:

17TH NOVEMBER 2022

Northumberland County Council Rationale for the Establishment or Continuation of a Council-owned Company

Report of: Rick O'Farrell, Interim Chief Executive

Cabinet Member: Councillor Richard Wearmouth, Portfolio Holder for Corporate Services

Purpose of report

The purpose of this report is to propose a statement of principles and criteria which form the Strategic Outline Case (SOC) to determine the rationale for the establishment or continuation of any company established by Northumberland County Council (NCC) under the provisions of the Localism Act 2011 or other appropriate powers.

Recommendation

To approve the Strategic Outline Case criteria for the Establishment or Continuation of a Council-Owned company, as attached at Annexe A to this report.

Link to Corporate Plan

This report is relevant to the "How" priority included in the NCC Corporate Plan 2021-2024 to ensure value for money in our services.

Background

1. On 8th June 2022, Solace in Business, led by Max Caller CBE, delivered its Independent Governance Review report to the County Council ("the Caller Review").
2. To address the recommendations of the Caller Review, the cross-party Member Oversight Group was established by the Council to oversee the delivery of a series of 12 Work Packages comprising 28 Action Plans. An independent "Challenge Board" has been commissioned expressly by the Council to support and challenge the Member Oversight Group and the Council Officers tasked with the delivery of the Work Packages.
3. This report and Appendix specifically completes Action 22 of Work Package 11 to address Recommendation 10.2.6 of the Caller Review to "Establish a rationale for the establishment or continuation of any company under the provisions of the Localism Act

2011”.

The Strategic Outline Case Criteria

4. A proposed set of questions and decision filters are set out in the attached Appendix A which shall form the basis of the Strategic Outline Case (SOC) criteria to guide decision-makers on the factors that should be taken into account when considering whether or not to continue support for a company owned by the Council and set up under the provisions of the Localism Act 2011 or other Local Government powers, or to establish a company.
5. In the formulation of this report and the proposed Strategic Outline Case criteria, consideration has been given to the advice and comments given in the publications “Local Authority Owned Companies: A Good Practice Guide”, from CIPFA 2022, and “Local Authority Company Review Guidance” from the Local Partnerships LLP 2021, which includes input from Max Caller. There is also a link to the well established and recognised HM Treasury’s Green Book Government best practice on appraisal and evaluation, which includes the initial strategic outline case. Following acceptance of a Strategic Outline Case it would be expected that a more detailed business case would be developed, of which there are established templates to follow.
6. Applying the criteria will support the demonstration of a clear rationale, or strategic case, as to why the Council may wish to establish a company rather than act through the Council itself “in-house”, or some other model of delivery, and which must remain valid as the company evolves and circumstances change.
7. That SOC criteria must be applied consistently against all proposals for the establishment or continuation of support for a council-owned company to ensure initial consideration of all the delivery options is made.
8. In forming a clear case for the functions or activities to be carried out by an alternative delivery model there must be consideration of the following areas:
 - a. Strategy and policy - How well does the delivery model align with corporate strategies and policies?
 - b. Transition and mobilisation - How easy will it be to transfer existing services into the new model?
 - c. People and assets - What capabilities and skillsets are needed and what is the existing capacity (internal or in the external market)?
 - d. Service delivery - How will the delivery model help to deliver ongoing quality, innovation and continuous improvement?
 - e. Risk and impact profile - Have the risks that may impact the delivery of services or on the council’s finances been identified?
9. As part of the SOC thought must be given to the appropriate delivery vehicle. An initial options appraisal must consider the range of potential delivery vehicles, including:

- a. In-house delivery
- b. Local authority company
- c. Joint service delivery (shared services)
- d. Joint venture company with private sector partner
- e. Outsourced service delivery

10. As highlighted in the proposed questions in Annex A, Section 4 of the Localism Act 2011 provides that any activity that is for a commercial purpose, MUST be delivered by a company.
11. It is intended that proposals which meet the criteria of the SOC would progress on to more detailed business case development, with decisions on the final delivery model, whether this be incorporation or an alternative arrangement, following the usual Executive functions decision-making process.
12. Cabinet should note that Member Oversight Group were consulted on the developing proposals at their 28th October 2022 meeting.

Next Steps

13. Detailed work on company governance is ongoing. Further papers will be brought to Cabinet between now and February 2023 to complete Actions 22, 23 & 24 of Work Package 11 to address Recommendation 10.2.7 of the Caller Review to “Establish a specific governance framework by which, for those companies wholly or partly owned by NCC, their Directors are appointed, report on performance are presented to a Cabinet Sub-Committee, conflicts of interests are dealt with and risk and how shareholder agreements are ratified, by both the company and NCC.”

Implications

Policy	The proposed Strategic Outline Case seeks to support the Corporate Plan.
Finance and value for money	The proposed Strategic Outline Case seeks to set standard set of criteria in which to balance revenue generation / cost minimisation with delivery against the Corporate Plan.
Legal	The Local Authorities (Functions and Responsibilities) (England) Regulations 2000 confirm that the matters within this report are not functions reserved to Full Council. Accordingly, the recommendation as set out above is for Cabinet/Executive approval.

Procurement	No immediate implications.
Human Resources	Not applicable
Property	Not applicable
Equalities (Impact Assessment attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	Not applicable
Risk Assessment	The proposed Strategic Outline Case criteria requires an initial Risk Assessment to be undertaken as part of the procedure to evaluate whether to consider the development of any new company or other vehicle
Crime & Disorder	There are no Crime & Disorder implications
Customer Consideration	There are no Customer Consideration implications
Carbon reduction	There are no Carbon Impact implications
Health and Wellbeing	There are no Health & Wellbeing implications
Wards	All wards

Annexes

Annex A - NCC Strategic Outline Case Criteria for Alternative Vehicle Delivery (Nov 2022)

Background papers:

22.06.08 – Solace in Business, Independent Governance Review report to the County Council (“the Caller Review”)

Report sign off.

Authors must ensure that officers and members have agreed the content of the report:

	Full Name of Officer
Monitoring Officer/Legal	Suki Binjal
Executive Director of Finance & S151 Officer	Jan Willis

Relevant Executive Director	Rick O'Farrell
Interim Chief Executive	Rick O'Farrell
Portfolio Holder(s)	Richard Wearmouth

Author and Contact Details

William Thompson, Group Company Secretary

william.thompson@northumberland.gov.uk

Sarah McMillan, Assistant Service Director, Policy

sarah.mcmillan@northumberland.gov.uk