



Northumberland

County Council

CABINET

DATE: 17 NOVEMBER 2022

APPLYING THE COUNCIL-OWNED COMPANY RATIONALE TO ADVANCE NORTHUMBERLAND LTD & UPDATE ON THE BUSINESS STRATEGY REVIEW

Report of Rick O'Farrell, Interim Chief Executive

Cabinet Member: Councillor Wojciech Ploszaj, Portfolio Holder for Business

Purpose of report

At its meeting of 17 November Cabinet will consider a statement of principles and tests for establishing or continuing Council-owned companies established under the Localism Act or other appropriate power, as proposed by the Independent Governance Review (The 'Caller Review') and under action 22 of the subsequent Plan of Action.

In anticipation of agreement to this statement of principles and tests – the Strategic Outline Case (SOC) criteria - for establishing or continuing Council-owned companies, this report sets out the outcome of applying the agreed criteria to Advance Northumberland Ltd (ANL), as an existing company of Northumberland County Council, and provides an update on the Advance Northumberland Ltd Review of Business Strategy.

Recommendations

Having applied the agreed Strategic Outline Case (SOC) criteria for the establishment or continuation of Council owned companies Cabinet is recommended to:

- 1. Agree that Advance Northumberland Ltd continues to provide significant benefits to the County as an effective mechanism to deliver the economic growth and jobs, regeneration and place shaping priorities of the Council, contributing to economic growth, tackling inequalities and value for money.**

Cabinet is asked to:

- 2. Endorse the findings, proposed strategic direction and emerging recommendations from the Advance Northumberland Ltd Review of Business Strategy, set out in this report and endorsed by the Advance Northumberland Ltd**

Board; and

3. **Note that further work is continuing to take forward the Business Strategy Review, including an external financial review, and, as the review continues, further recommendations may come forward to Cabinet, as the Company's shareholder, where approval is required.**

Link to Corporate Plan

4. This Report is relevant to the following priorities in the Corporate Plan:
 - **Thriving** - We will vigorously secure more and new investment and good quality jobs into the county
 - **Living** - We will care for our residents, support the most vulnerable in our society and help people to live healthy lives
 - **Connecting** - We will deliver high-quality services in all our communities and secure investment in housing and transport across the County
 - **How** - In everything we do, we will listen to and communicate with residents, businesses and partners and, ensure value for money in our services. We will pull our weight regionally and nationally, working with our partners to secure maximum benefit for residents and businesses.

Key issues

APPLYING THE COUNCIL'S STRATEGIC OUTLINE CASE (SOC) FOR COMPANIES TO ADVANCE NORTHUMBERLAND LTD

5. At its 17 November meeting Cabinet will consider the Strategic Outline Case (SOC) criteria for Council-owned companies, which can be applied either:
 - a. for the establishment and support of companies set up "for a Commercial Purpose", or
 - b. for those set up for another, non-commercial, purpose.
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. The SOC criteria include principles and questions against a series of areas including:
 - a. **Council-focussed aspects**, including how a proposed delivery vehicle will contribute to Council priorities, service delivery, the capacity and capability of the Council to perform the 'intelligent client' role and the identification of risks;
 - b. **Commercial aspects**, including the financial model and any risk associated with the proposed model; and
 - c. An initial **assessment of the available delivery models** to deliver the envisaged outcomes.
8. Applying the SOC criteria to Advance Northumberland Ltd demonstrates that the company strongly meets the criteria for a Council-owned company. The outline assessment, attached as annex A to the report, shows that the activities of the company contribute to the Council's strategic priorities, particularly in:
 - a. **driving economic recovery and growth** through investment and job growth,

- b. **tackling inequalities**, by working with the Council on the inclusive growth agenda and providing affordable homes for sale and rent, whilst providing
- c. **value for money** via a commercial model with re-investment of income into council priorities.

ADVANCE NORTHUMBERLAND LTD REVIEW OF BUSINESS STRATEGY

9. **Review Purpose** - In late 2021 the County Council commissioned an internal Review of Advance Northumberland Ltd's (ANL) Business Strategy ('the Review'), with the purpose of supporting the Council and the company to:
- a. Maximise opportunities to drive economic growth and regeneration across Northumberland; and
 - b. Ensure existing structures and focus are optimum to delivering this.
10. **Guiding principles** - The Review developed a set of guiding principles which have informed the development of the SOC criteria for Council Owned-Companies, noted above, and have been applied to inform the emerging recommendations.

Phase 1 Findings & Emerging Recommendations

11. It is clear since the creation of Advance Northumberland Ltd (ANL) the company itself and the policy and delivery context in which it operates has evolved. As a result there was clear support from the majority of individuals consulted on the review that the review of Business Strategy was timely and, as a result of the review, a desire for clear priorities and the strategic direction of the organisation to be set.
12. The Review found, in reviewing material and in speaking to a wide range of people, that the company has had many successes and has delivered a great deal for the residents and businesses of Northumberland. A multi-disciplinary trading company continues to offer significant benefits and is an effective mechanism to support the priorities of the Council, particularly in economic growth, regeneration and place shaping. It was also recognised that the ANL team is dedicated and committed to the Company, as well as to supporting the County Council deliver on its priorities and make a difference to businesses and individuals in the county. A summary of ANL successes is attached as Annex B to this report.
13. The first recommendation of the Review is therefore that: **Advance Northumberland Ltd continues to offer significant benefits to the County as an effective mechanism to deliver the economic growth and jobs, regeneration and place shaping priorities of the Council.**
14. This is supported by the outcome achieved in the application of the SOC criteria for Council-Owned Company criteria, as noted above.

The following emerging recommendations represent a clear strategic direction and focus for the Company, which have been endorsed by the Advance Northumberland Ltd Board, and will support the company to enhance its contribution to the County Council's priorities for economic growth, tackling inequalities and value for money:

- a. **ANL will continue to operate commercially in the areas of:**

- i. development and home building for private sale, including affordable homes;
 - ii. a private sector residential landlord, providing a tenure of housing to complement the offer from NCC in some of the most deprived communities in the County; and
 - iii. holding and managing the commercial property portfolio of the County Council, providing business accommodation for Northumberland businesses.
 - b. In line with the business planning process ANL will develop an **Asset Management Plan**, including the case for investment, across its assets.
 - c. Working with the County Council ANL will explore a structure to **enable a clearer commissioning of Council instructed pieces of work**, via a form of teckal arrangement. This is likely to focus on:
 - i. house building, to support the Council's ambitions to deliver new, affordable and social housing across Northumberland, and
 - ii. development project management expertise to support the delivery of the Council's capital and regeneration programme.
15. **Phase 2 & Next Steps** – Further work is required to explore and work up more detail of the emerging recommendations, including the appropriate structures to take forward the clearer commissioning from the Council.
16. In addition to this, and linked with continuous improvement and the Council's strategic change model, an external review to ensure the financial model is efficient and sustainable and is appropriate to deliver against the Council's strategic aspirations for the Company, has been commissioned, the implications from which will be brought forward in due course as part of Phase 2. The specification for this work is attached at Annex C.
17. A summary of the Business Strategy Review recommendations accepted by the Advance Board at their 28 September meeting are attached as Annex D
18. It is expected that the financial element of the review will be finalised by the end of January 2023, with recommendations made to the ANL Board in February 2023. ANL will subsequently seek Shareholder approval for any subsequent review recommendations where this is required.
19. Associated actions from the Caller Review in relation to the Governance of Council Companies will come forward for member consideration in February 2023, in line with the agreed Caller Action Plan work packages.

Background

20. At the meeting of the County Council on 8th June 2022, Members received a presentation on the Independent Governance Review (known as the 'Caller Review'). Following this, County Council considered a report by the Leader and Deputy Leader on the Caller Review and agreed to establish a Steering Group on a 'task and finish' basis to consider the recommendations and develop an action plan to implement the

recommendations.

21. Following a meeting on 10th June, The Task and Finish Group reported back to an Extraordinary meeting of the County Council on 21st June 2022 with an initial action plan. At its meeting of 21st June, Council accepted the findings and recommendations of the Caller Review as well as agreeing the initial Plan of Action and to receive a further, more detailed version of the Plan. The Steering Group met again on 27th June and agreed the latest version of the Plan of Action.
22. 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.
23. As well as reporting progress on the ANL Review of Business Strategy this report relates to the Caller Review recommendation:
 - a. 10.2.6: Establish a rationale for the establishment or continuation of any company established under the provisions of the Localism Act 2011
24. And the Action Plan action:
 - a. 22. To produce a statement of principles and tests for establishing or continuing Council companies established under the Localism Act. This should build on work that has already been undertaken as part of the Strategic Review of Advance.

Implications

Policy	The corporate governance arrangements are key to all that the Council does and ensuring a clear rationale and focus for Advance Northumberland Ltd is vital for both organisations. Supporting Economic Growth is a key priority for the Council and ensuring there are optimum structures and a clear strategic direction for ANL is key to maximising opportunities to drive economic growth and regeneration across Northumberland.
Finance and value for money	Value for money, transparency and accountability are key aims of the Council. Whilst this Report contains no direct financial implications, the report refers to a financial review of the Company, which will be reported on in due course.
Legal	Whilst this report contains no immediate legal implications the next phase of the Review will explore appropriate structures which enable a clearer commissioning of Council instructed pieces of work. Expert legal advice will be sought to inform this. The Local Authorities (Functions and Responsibilities) (England) Regulations 2000 confirm that the matters within this report are not functions reserved to Full Council.

Procurement	N/A
Human Resources	N/A
Property	N/A
Equalities (Impact Assessment attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A	N/A
Risk Assessment	The Review of Business Strategy will provide greater clarity in the roles and relationship between the Council and its Company, without which poses significant risks, such as contradictory or divergent approaches emerging. The emerging recommendations set out in the paper will be worked up more fully by the Company, working with the NCC, including the identification of any risks.
Crime & Disorder	N/A
Customer Consideration	Residents will be reassured that the rationale and principles developed to test the suitability of the existence of a company have been applied to ANL. Businesses in the County will benefit from an effective Company supporting the delivery of the economic growth priorities of the Council.
Carbon reduction	N/A
Health and Wellbeing	Supporting more jobs and investment in the County will contribute to the health and wellbeing of residents.
Wards	N/A

Annexes

- Annex A – applying the NCC Company Strategic Outline Case (SOC) criteria to ANL
- Annex B – summary of ANL successes
- Annex C – Specification for the ANL external finance review
- Annex D – ANL Business Strategy Review update

Linked Reports:

- 6 July Council Report of Governance Review – Task and Finish Cross-Party Steering Group Progress Update
<https://northumberland.moderngov.co.uk/documents/s11269/03%20Task%20Finish%20Steering%20Group%201.pdf>
- 17 November Council Report – Northumberland County Council Rationale for the Establishment or Continuation of a Council-owned Company

Report sign off.

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

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