

ANNEX A

Northumberland County Council Strategic Outline Case Criteria for Alternative Vehicle Delivery (Nov 22) – applied to Advance Northumberland Ltd (ANL)

To inform decision making as to the appropriate model for County Council delivery through an alternative Delivery Vehicle the following questions should be addressed.

The resultant statement will be used by the Portfolio Holder and Cabinet to determine the appropriate delivery model to be pursued / maintained.

1. Does the proposed delivery support the County Council's Strategic Priorities as set out in the Corporate Plan?

- a. Yes – provide a short explanation; continue to Q2
- b. No – do not continue, unless in exceptional circumstances agreed by senior officers and Cabinet

Q1. Yes. Advance Northumberland Ltd (ANL) supports the delivery of the Council's priorities for economic growth and jobs, regeneration and place shaping. There is also a contribution to the priorities of tackling inequalities and value for money.

As the holder of the Council's commercial portfolio and land holdings the Company plays a vital role in identifying and developing the strategic development of the portfolio through commercial investment propositions. The Company plays a key role in securing investments into the County, both from Foreign Direct Investment (FDI) as well as investments from growing indigenous businesses.

The vital support in securing inward investment in the County brings new jobs, with a particular focus on the growth sectors, including good quality jobs in energy and advanced manufacturing. Providing business accommodation, from early-stage managed business space at the 'Work spaces' to larger industrial units, Advance provide a range of accommodation to meet new and growing business need. Working with the Council the Company markets and develops the County's Enterprise Zones and other strategic employment sites with the specific aim of securing jobs and investment into the County

As a housebuilder for private sale the Company invests in the delivery of good housing provision across the County, maximising the level of affordable homes, as well as good quality accommodation for businesses. The Company also provides a residential landlord function, providing over 1,000 quality homes for rent. Through the promotion of the county's economic assets and securing inward investments the company supports securing both private and public sector investment in the county's infrastructure, as part of packages of investment and growth corridors.

Key priorities of the Council are economic growth and tackling inequalities; both of which are inextricably linked: by supporting the creation of jobs and providing good work, the evidence tells us is one of the best ways of tackling inequalities and supporting people out of deprivation. Close work between the Council and the Company ensure that the aims of Inclusive Growth are supported, where activity around job creation ensures communities within the County can benefit from the increased growth and investment.

As a private landlord the company provides a tenure of housing that complements the offer of NCC, with a significant number of homes in the County's most deprived communities, providing good homes for many of our most vulnerable residents.

2. Is the delivery function under consideration commercial in nature?

- a. Yes – this must be delivered through a Company structure; continue to Q3
- b. No – continue to Q3

Q.2 Yes. ANL operates on a commercial basis so must be delivered through a Company.

3. Is there is a strong evidence-based set of commercial and financial drivers for the creation of the company?

- a. Yes – provide a short explanation; continue to Q4
- b. No - do not continue, unless in exceptional circumstances agreed by senior officers and Cabinet

Q3. Yes. As holders of the County's commercial portfolio of land and commercial properties the generation of income provides for investment and maintenance of the portfolio and investment in growth of the portfolio and into other County Council priorities, e.g. economic growth and development activities. As a commercial operation this could not be delivered by the Council. The portfolio achieves high levels of occupancy across over 700 units, including the managed Workspaces (Blyth, Ashington and Berwick); industrial and commercial properties, including retail and leisure and ANL owned land (c 1,200 acres), the asset value of which is c£145m.

The private rented landlord function cannot be delivered by the Council as it is commercial and would remove the properties from the private rented market. The company own c1,150 homes with an asset value of £100m and annual turnover of c£5m. It is financially more efficient to be delivered by the Company as there would be significant implications for the Housing Revenue Account (HRA) if the houses were to be in Council ownership, although it is unclear to say what this would be without a full asset review being undertaken. The ANL model also ensures there is a rental return which is reinvested in Council priorities.

4. Is there is sufficient expertise held in the Council, or could be readily recruited, to perform an 'Intelligent Client' role?

- a. Yes – provide a short explanation; continue to Q5
- b. No – set out what action would be put in place to secure this?

Q.4 Yes. The Council is a purchaser and commissioner of the services and works delivered by ANL, including the commissioning of house building, capital developments and project management and landlord functions, and for each there is sufficient capacity within the organisation to perform an 'intelligent client' role. Governance will be subject to further review in taking forward the Caller Review Action Plan.

5. Is there is a gap in the County Council's capability to deliver the outcomes proposed by NewCo?

- a. Yes- provide a short explanation; continue to Q6
- b. No - do not continue, unless in exceptional circumstances agreed by senior officers and Cabinet

Q5. Yes. The key functions of ANL are commercial in nature so could not be delivered by the County Council; there are also key delivery benefits to the structures of a Company which cannot be fully realised by a Local Authority, particularly around agility of operation and business facing functions.

6. Has the County Council exhausted all other delivery options to deliver the outcomes proposed by NewCo? – if necessary include initial options appraisal for each of:

- 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

Q6. The key functions of ANL are commercial in nature so could not be delivered by the County Council; Section 4 of the Localism Act 2011 provides that any activity that is for a commercial purpose, must be delivered by a company.

7. Does the NewCo's delivery of outcomes complement the County Council's existing delivery structures?

- a. Yes – set out how; continue to Q8
- b. No - do not continue, unless in exceptional circumstances agreed by senior officers and Cabinet

Q7. Yes. The delivery outcomes of ANL support existing delivery structures by working closely with key parts of the County Council and complementing the work of internal structures, including:

- providing affordable housing and bringing forward housing sites, including on brownfield sites around the County;
- supporting and delivering significant capital builds including new leisure centres in 3 of the County's towns and
- support of key regeneration sites such as Bedlington Town centre, Ashington Town Centre and the Northumberland Energy Parks.
- Including all of the County's commercial and land portfolio in the company provides a clear focus and management of these assets
- Providing rented housing ensures a tenure of housing to complement the offer from NCC, often in the County's most deprived communities

As a result of a recent review work is being undertaken to further maximise the operation of the Company in complementing the Council's delivery structures, including exploring structures to enable a clearer commissioning of Council instructed pieces of work, via a form of teckal arrangement. This is likely to focus on:

- house building, to support the Council's ambitions to deliver new, affordable and social housing across Northumberland, and
- development project management expertise to support the delivery of the Council's capital and regeneration programme

8. Can the NewCo's risk profile can be managed and not expose the County Council to disproportionate risk

- a. Yes – provide a short explanation; continue to Q9

- b. No - do not continue, unless in exceptional circumstances agreed by senior officers and Cabinet

Q8. Yes. Regular reporting from the Company to the Council highlights any risk to the Council's finances, particularly regarding loan repayments. Delivery risks identified and included in NCC risk management process and through the Capital Strategy Board. An external finance review has been commissioned (Nov 2022) to ensure the financial model of the Company is efficient and sustainable and is appropriate to deliver against the Council's strategic aspirations for the Company

The company, in line with its business planning process, will be developing an asset management plan to ensure investment continues into assets and minimises risk in this area.

Strengthened Governance arrangements will be developed as part of the Caller Action Plan which will ensure the appropriate checks back to the Shareholder.

9. Do the benefits of the proposed NewCo outweigh the risks?

- a. Yes – provide a short explanation; continue to Q10
b. No - do not continue, unless in exceptional circumstances agreed by senior officers and Cabinet

Q9. Yes. The value of the company in:

- providing houses for sale and rent, including maximising the availability of affordable homes
- continued provision of a trusted and quality landlord in some of the County's most deprived areas meeting a market need in the County,
- the accommodation for businesses and wider commercial portfolio, which brings investment and jobs to the County and beyond,
- coupled with the delivery of significant regeneration schemes and inward investments

means there are demonstrable benefits to the multi-disciplinary company, which outweigh any risks.

Agreed business planning and commissioning between the Company and NCC will ensure this continues to be led and monitored.

10. Does the NewCo maximise the benefits of an arms-length company, such as more agile operations, business facing, commercial recruitment & expertise.

- a. Yes – provide a short explanation.
b. No – do not continue, unless in exceptional circumstances agreed by senior officers and Cabinet

Q10. Yes. The key delivery areas of ANL operate commercially and have maximised the advantages a company provides to be able to do so successfully, including the ability to be business-facing and more agile in operation, supporting the ability to respond in a timely way to the market. The company has commercial expertise and experience in its workforce as individuals are attracted to the company because of its objectives and its delivery model to achieve these as a company. Feedback from the market is that working with Advance is positive as a result of the benefits brought about by its arms-length nature. The council and the wider community (both residents and businesses) reap the rewards of this model as an effective mechanism to deliver the economic growth and jobs, regeneration and place shaping priorities of the Council.

Conclusion and recommendation: Please provide a concluding statement following the application of the above criteria and the resultant proposed recommendation.

Conclusion & Recommendation

As an existing and established wholly-owned company of Northumberland County Council Advance Northumberland Ltd continues to offer benefits to the County as an effective mechanism to deliver the economic growth and jobs, regeneration and place shaping priorities of the Council, particularly by managing a large portfolio of commercial land and buildings and private rented properties, supporting the Council's housebuilding and regeneration priorities and realising the Council's ambitions for bringing new investment and jobs into the County. The activities of the company also contribute to Council priorities to tackle inequalities and value for money.

The delivery outcomes are commercial in nature so must be delivered through a company. In addition to this applying the criteria above demonstrates the significant contribution the company makes to the County Council's strategic objectives and delivery in a number of areas.

It is therefore recommended that Advance Northumberland Ltd strongly demonstrates that it meets the criteria for a Council-owned company.

Approval date 17.11.2022

Review by 17.11.2023