



Northumberland  
County Council

# Advance Northumberland Review of Business Strategy - Cabinet Update

November 2022

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# Contents

- Purpose & Objectives
- Guiding Principles
- Review Process
- Key points and Emerging Recommendations
- Advance Northumberland Ltd Board Resolution

# Purpose & Objectives

- **Context** – cabinet priorities, national and regional opportunities, Caller Review, financial pressures
- **Review Purpose**
  - **Maximising opportunities to drive economic growth and regeneration across Northumberland**
  - **Ensure existing structures and focus are optimum to delivering this**
- **National Picture** – Local Authority Trading Companies (LATCs): key feature in the delivery of public services and local authority functions across the country
- Reducing budgets, operate commercially, move away from outsourcing
- Popular use: strategic investment purposes; increasingly for delivery of services
- 59% of LAs – at least one LATC

# Guiding Principles

- Delivery should occur through the arms-length company if:
- It cannot be delivered through the Local Authority (e.g. commercial activity)
- It is more efficient (e.g financially, operationally)
- It is better placed to manage the balance of risk and reward
- There is sufficient expertise held in the Council, or could be readily recruited, to perform an 'Intelligent Client' role
- It maximises the benefits of an arms-length company, such as more agile operations, business facing, commercial recruitment & expertise
- Where delivery is for purely commercial purposes there should be freedom for the company to pursue this, with appropriate accountability to the Board & Shareholder, within agreed parameters
- Profits will be re-invested for the benefit of Northumberland's businesses and residents

# Review Process

- Review process followed 2 stages:
  - Evidence gathering – understand functions & rationale, role and interactions, discussion with Board members, senior managers at Advance Northumberland Ltd (ANL) and Northumberland County Council (NCC), desktop research
  - Options appraisal – based on guiding principles, identifying areas of improvement
- Caller Review – clear implications for the review; inform the Caller Review outcomes

# Key Points & Recommendations for Phase 1

- Many successes; committed staff
- Opportunities for growth; requirement for investment in assets
- Recommendations to provide greater clarity in the roles and relationship to support shared objectives
  
- **Recommendation 1: Advance Northumberland Ltd continues to offer significant benefits to the County as an effective mechanism to support the delivery of economic growth and jobs, regeneration and place shaping priorities of the Council.**

# Key Points & Recommendations – House Building

- Ascent Homes - developer and home builder for private sale, including affordable homes.
- 380 homes; shortlisted twice for industry RICS awards.
- Purely commercial entity, operates in the open market.
- 21/22 income: £16,526,018; total direct costs £16,715,227; loss £189,209 - land supply
- Previously >£5m profits; forecast growth
- Council priority - deliver new, affordable housing across Northumberland
- Maximise expertise and capacity to deliver Council priority
- **Recommendation 2 – drawing on the expertise of the house builder to drive commercial house building activity, including the provision of affordable homes, the proceeds from which will be re-invested in County Council priorities; explore the establishment of a Teckal compliant company which will become NCC’s Housing Development Company to support the County’s social housebuilding ambitions.**

# Key Points & Recommendations – Private Rented Housing

- Residential private rented landlord; SE Northumberland; lower end of the market in most deprived communities.
- Significant growth: 600 - 1,150 properties; asset value: £42.6m - £100m; turnover from £2.8m to £5.3m
- 21/22 – c£800k profit; requires investment in stock
- **Recommendation 3: continue to deliver an effective and profitable wholly-owned commercial company managing 1,150 housing units. Continue to operate externally to the Council to provide the service, providing a tenure of housing to complement the offer from NCC, often in the County's most deprived communities, delivering a return for re-investment.**
- **Recommendation 4: Develop an Asset Management Plan, including the business case for investment in stock**



# Key Points & Recommendations – Commercial & Land Portfolio

- Holds and manages estates & commercial property portfolio of the County Council, providing commercial property for Northumberland businesses
- <700 units; industrial & commercial (retail, leisure) and land (c1,200 acres).
- Significant growth: annual turnover from £366k to c£17m Asset value: c£145m
- 21/22 profit - <£1m; 22/23 forecast - £600k loss; + capital receipts;
- Good performance; high levels of occupancy. Need to investment in stock and opportunities for growth
- **Recommendation 5: continue a wholly-owned commercial company to manage the County Council's commercial property and land portfolio**
- **Recommendation 6: Develop an Asset Management Plan, including the business case for investment and growth (including grow on space) to support business growth and inward investment.**

# Key Points & Recommendations – Strategic Assets

- Due to their scale in terms of value in proportion to the company as a whole and because of their strategic importance the review recommends
- **Recommendation 7: two separate pieces of work are commissioned for the Board and shareholder to consider: Manor Walks and West Moorland and the Hirst. It is understood work is already underway in both of these areas by both Advance and NCC, which should include an asset review and the business case for investment.**

# Key Points & Recommendations – Development & Project Management

- Expertise from design to planning and managing builds, e.g. leisure centre, hotels, the ‘Workspace’ managed small business centres, and industrial units.
- Well regarded; provides a level of expertise and commercial experience not held within the Council
- Propose more structured use to delivery Capital Programme; reduce no. open market procurement exercises; certainty = more efficient resourcing, benefits NCC
- **Recommendation 8: Explore a compliant model for ANL to provide a Developments and Project Management Service as the Council’s Project Manager of choice for its capital and regeneration programme, drawing on the professional expertise and commercial experience and providing a longer-term approach to business planning for the Council and Company**

# Key Points & Recommendations for Phase 2

- **Working up recommendations:** 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
- **Financial Review:** To ensure the company has a financial model that is efficient, sustainable and appropriate to deliver against the Council's strategic aspirations for the Company, an external financial review has been commissioned;
- The implications from the Financial Review will be brought forward in due course as part of Phase 2 and the Board agreed to defer any firm recommendation and decision until the financial review was complete (Recommendation 9).
- It is expected the Financial review will complete in Dec / Jan 2022, with findings and recommendations to the ANL Board in Jan/Feb 2023

# Final Recommendation & Conclusion

- **Recommendation 10: The evolution of the Group has resulted in a company structure which does not neatly align to the individual business or functional units, it is therefore proposed that a review of the group structure be considered alongside the consideration of the recommendations, to ensure there is a clear and compliant company structure**
- Recommendations are a first steps in pursuing potential changes to realise improvements and opportunities
- Further specific pieces of work are proposed, and necessary to take explore recommendations
- Provide greater clarity in the roles and relationship
- Ultimately support greater partnership working to meet shared objectives of a growing and prosperous County

# ANL Board Resolution & next steps

- As set out in the resolution at the 28 September meeting the Advance Board agreed to:
- Support proposed strategic direction and emerging recommendations
- Task ANL Chief Operating Officer to work with Sarah McMillan (Assistant Director, NCC) to finalise the review and communicate broad direction with staff
- Final recommendations to come back to Board for agreement
- And subsequently to the Shareholder for approval where required