

- Cabinet member(s) with portfolio for most closely associated with the company or companies concerned with the items of business.

Terms of Reference

The Shareholder Cabinet Committee will exercise responsibility for the Cabinet's functions in respect of:

1. The Council's approach to membership of a company or companies, including:
 - a. evaluation of potential new opportunities to deliver social and financial returns on investment through company holdings;
 - b. approval of comprehensive statements (business cases) to establish a new company, company membership or joint venture;
 - c. sale or liquidation of Council interests in companies;
 - d. the adoption of investment or contractual strategies in relation to council held company memberships;
 - e. the provision or requirement of services to or by a company; and
 - f. the governance framework and over-arching approach to company memberships.
2. Decisions concerning the evaluation, monitoring or acting upon:
 - a. the financial and social returns on investment (be that shareholding, loans or direct investment); and
 - b. risks and opportunities arising from any shareholding in a company or companies, including contracts or financial investments in respect of such companies.
3. Decisions concerning the performance of a company in relation to its Business Plan and, in particular, the company's performance:
 - a. in financial matters
 - b. against the social goals of the company as set out in the company's Objects, Business Case or Business Plan; and
 - c. against the values of the Council.
4. All decisions reserved to the Council for shareholder approval, such as (but not limited to):
 - a. Varying Articles of Association
 - b. Varying ownership and structure
 - c. Variations to shares (number of, rights, etc.)
 - d. Entering contracts that:
 - i. have a material effect on Council business (including other companies within the group)
 - ii. are outside of the business plan or do not relate to the business
 - iii. significant in relation to the size of the business, the business plan, etc.
 - e. Material legal proceedings outside of ordinary business
 - f. Adopting and amending business plans each year and strategic plans (3 years)
 - g. Appointment, removal and the remuneration of directors (members of the company board)
 - h. Selection of the chair of the board
 - i. Appointment of auditors
 - j. Issue of dividends

as more particularly set out in a company's Articles of Association or Shareholder Agreement.

5. Other matters as may be referred to the Cabinet Committee for consideration by the CSR, s.151 officer, monitoring officer or chief executive.

2. ELECTION OF CHAIR

RESOLVED that Councillor H.G.H. Sanderson be elected Chair of the Committee for the ensuing year.

3. ELECTION OF VICE CHAIR

RESOLVED that Councillor R. Wearmouth be elected Vice Chair of the Committee for the ensuing year.

4. REPORT OF THE EXECUTIVE DIRECTOR OF TRANSFORMATION AND RESOURCES

Advance Northumberland Business Plan 2023-24

The report presented to the Committee the Advance Northumberland Ltd draft business plan for 2023-24 (confidential appendix at item 11 of the agenda also referred).

The report was presented by the Executive Director of Transformation and Resources. She advised that under the Operating Agreement and Articles Advance Northumberland (AN) was required to bring an annual Business Plan for approval. Work was not sufficiently advanced for a long term business plan but the report in front of members was for the period to 31st March 2024 whilst work progressed on a 15 year plan.

Mr Earl confirmed that the Board had agreed the Business Plan last week.

A number of comments were made including:-

- Councillor Wearmouth welcomed the themes and the work being delivered for customers. He looked forward to seeing what could be achieved with the Hirst.
- Councillor Ploszaj asked if there were any high risks to be aware of. Mr Earl advised that the risk register detailed the commercially sensitive matters and the risks associated with the current economic situation, as well as the mitigation measures which were in place. Larger projects had greater financial risks to the company for obvious reasons.
- Councillor Wearmouth asked how the company saw the longer term business strategy evolving and what they would be doing to develop it. Mr Earl replied that this was a piece of ongoing work which Grant Thornton were involved in. The company's priorities for the next few years would be based on the Council's corporate strategy and key priorities.

- The Leader welcomed the potential for funding to come in from external sources. Mr Earl responded that the company was aware they needed approval from the Council to accept external funding but they were looking at project specific opportunities. The Leader asked for a progress update in due course on the projects.

RESOLVED that the draft business plan for 2023-24 be endorsed and the shareholder representative be authorised to give formal approval for the plan following adoption by the Advance Northumberland Board.

5. REPORT OF THE EXECUTIVE DIRECTOR OF TRANSFORMATION AND RESOURCES

Advance Northumberland Draft Statement of Financial Accounts 2022-23

The report detailed the Advance Northumberland Ltd draft statement of group statutory accounts for 2022-23 (confidential appendix at item 12 of the agenda also referred).

The Executive Director of Transformation and Resources introduced the report highlighting the operating profit of £11.2m, which was less than last year, though the overall value of the company had increased on the previous year.

Councillor Wearmouth commented that the report showed that there was recovery but also the importance of investment, which reflected on the balance sheet more widely. Mr Earl agreed and added that the Business Plan would include capital investment programmes and asset reviews.

RESOLVED that the draft statement of group statutory accounts for 2022-23 be noted.

6. REPORT OF THE EXECUTIVE DIRECTOR OF TRANSFORMATION AND RESOURCES

Advance Northumberland Review of Corporate and Financial Structure

The report updated the Committee on the progress of the review of Advance Northumberland company and financial structure and emerging options (confidential appendix at item 13 of the agenda also referred).

The report was presented by the Executive Director of Transformation and Resources who highlighted the background and the changes which were proposed by Grant Thornton to the corporate structure. Grant Thornton were recommending a debt for equity swap to free up cash for investment to increase the overall profitability of the group and to allow AN to repay the remaining debt over a period of time on an annuity basis. There was a lot of detailed work to be done on this and there would be costs associated with the specialist advice which was needed. Mr Earl added that this was very much a joint piece of work with the Council and he was keen to get it right.

Councillor Wearmouth agreed it was important to get right and he reflected on the history of what had happened to get to the current point since the company had begun as Arch with little debt. A change in direction had led to the current position where a lot of debt had been taken on and many councils had come unstuck with this approach. He fully supported the Grant Thornton report and felt the proposals would enable the Council to get to grips with the situation and move things forward. It would allow investment by AN and allow it to flourish.

Councillor Ploszaj asked about timescales and costs for the equity swap. The Executive Director advised members that professional advice could be in the region of around £200,000. She hoped to have the work complete in the next three months and report back to members in or around October regarding how the model could be implemented. It could potentially be in place by next April.

Councillor Wearmouth acknowledged this was a significant piece of work but was keen to ensure that matters could be settled by the Autumn so it could be factored into the budget preparations for next year. It was important for the changes to be done diligently but in a way which allowed all members to buy into the long term business plan for the company without political influence around election cycles.

The Leader agreed that matters needed to be progressed without delay.

Councillor Bawn asked for further explanation of how the equity swap would work when the Council held the equity. The S151 advised that this was not a cash transaction. The Council cancelled the debt, so this was reduced on the balance sheet and the equity was increased by that same amount. It would give the company the ability to address long standing issues and increase its profitability in the longer term as the current model was not sustainable.

RESOLVED that the draft options appraisal attached as a confidential appendix to the report be noted and the Executive Director of Transformation and Resources be authorised to progress the detailed work outlined at 4.7 with a view to bringing a further report to the Committee in due course.

7. REPORT OF THE EXECUTIVE DIRECTOR OF TRANSFORMATION AND RESOURCES

Advance Northumberland Appointment of External Auditor

The report informed the Committee of the proposed appointment of Robson Laidler Accountants Ltd as external auditors to Advance Northumberland Ltd and its subsidiaries for a three-year period from 2022-23 to 2024-5 in place of Mazars LLP and sought authority for the shareholder representative to give reserved matters consent for their appointment on behalf of the Council as shareholder.

RESOLVED that the shareholder representative be authorised to give reserved matters consent on behalf of the Council for the appointment of Robson Laidler as external auditors to Advance Northumberland.

CHAIR.....

DATE.....