

NORTHUMBERLAND COUNTY COUNCIL

CABINET

At a meeting of the **Cabinet** held at County Hall, Morpeth on Tuesday 7 February 2017 at 10.00 am.

PRESENT

Councillor J.G. Davey
(Leader of the Council, in the Chair)

CABINET MEMBERS

Arckless, G.R.
Hepple, A.
Jackson, P.A.
Kelly, P.

Ledger, D.
Reid, J.
Swithenbank, I.C.F.
Tyler, V.

OTHER MEMBERS

Dale, P.A.M. (part)
Dickinson, S. (part)
Murray, A.H.

Gallacher, B.
Reid, A.W. (part)
Simpson, E.

OFFICERS IN ATTENDANCE

Hadfield, K.

Henry, L.
Lally, D.
Mason, S

Committee Services and Scrutiny
Manager
Legal Services Manager
Deputy Chief Executive
Chief Executive

3 members of the press and public were in attendance

65. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Dungworth.

66. MINUTES

Ch.'s Initials.....

RESOLVED that the minutes of the following meetings of Cabinet, as circulated, be confirmed as a true record and signed by the Chair:-

- (a) Tuesday 10 January 2017
- (b) Thursday 19 January 2017

67. DISCLOSURES OF INTEREST

Councillor Arckless disclosed an interest in item 4(1) on the agenda (Medium Term Financial Plan 2017-20 and Budget 2017-18) as a governor of Northumberland College in respect of potential support for Kirkley Hall Training Hotel. He sought advice about whether he needed to withdraw from the meeting as he was a Council appointee. Mr Henry advised that this was not necessary.

68. REPORT OF THE CHIEF EXECUTIVE

Potential Loan to Northumbria Calvert Trust

The report provided details of a potential loan facility to Northumbria Calvert Trust of up to £300,000 for the purchase of staff accommodation within Kielder Village (copy attached to the signed minutes as Appendix A, along with the report of the Corporate Resources and Regional Affairs OSC circulated at the meeting).

All members supported the proposals.

RESOLVED that:-

- (a) County Council be recommended to approve a Loan Facility of up to £300,000 to the Northumbria Calvert Trust subject to the following;
 - The Calvert Trust identify to the Council which properties will be purchased and submit a revised financial business plan to the Council.
 - The Council's Legal Team agree a legal agreement with the Northumbria Calvert trust in advance of any loan draw down by the trust, containing the terms and conditions set out within this report
 - The Council's Legal Team place a legal charge on the assets which the trust purchase using the loan facility in advance of any loan draw down by the trust.
 - State Aid implications are investigated and satisfied; and
- (b) the report of the Corporate Resources and Regional Affairs OSC be noted.

69. REPORT OF THE DEPUTY CHIEF EXECUTIVE AND DIRECTOR OF CHILDREN'S SERVICES

School Admission Arrangements for Community and Voluntary Controlled Schools for the 2018/19 Academic Year

This report informed Cabinet of the outcomes of the consultation on School Admissions Arrangements for Community and Voluntary Controlled Schools for the 2018/19 Academic Year as required by the School Admissions Code 2014. Approval (determination) of these admission arrangements was also sought (copy attached to the signed minutes as Appendix B, along with the report of the Family and Children's Services OSC circulated at the meeting).

Councillor Gallacher reported that a detailed discussion had taken place at Scrutiny on the link between school places and planning, particularly with regard to Amble and Morpeth.

RESOLVED that:-

- (a) the outcomes of the six week consultation undertaken in relation to the Council's proposed admissions arrangements for community and voluntary controlled schools for 2018/19 which took place between 8 November and 21 December 2016 be noted;
- (b) the relevant proposed coordinated admissions scheme and Admissions Policy for voluntary and controlled schools provided in the Appendices to the report be noted, in particular;
 - (i) the amendment to the oversubscription criteria 4 relating to medical or exceptional social need;
- (c) the admissions arrangements for 2018/19 be approved;and
- (d) the report of the Family and Children's Services OSC be noted.

70. REPORT OF THE CHIEF EXECUTIVE

Updating the Petitions Protocol

The report asked Cabinet to agree a number of minor changes to the Council's petitions protocol (copy attached to the signed minutes as Appendix C).

RESOLVED that the revised petitions protocol be agreed.

71. NOTES OF THE CAPITAL WORKS PROGRAMME CABINET ADVISORY GROUP

Cabinet was asked to consider the notes of the Capital Works Programme CAG meeting of 12 January 2017 and the recommendations detailed at Minute No.s 35(c) (1-6) and 35(d) (copy attached to the signed minutes as Appendix E).

Councillor Jackson asked for a briefing note on the Alnwick Garden Project mentioned at Minute 35(e), which the Chief Executive agreed to provide.

RESOLVED that the notes be received and the recommendations detailed at Minute No.s 35(c) (1-6) and 35(d) be agreed.

72. REPORTS OF THE CHIEF EXECUTIVE

(1) Medium Term Financial Plan 2017-20 and Budget 2017-18

The report asked Cabinet to make formal budget recommendations to Council.

The report also provided an update to the Medium Term Financial Plan 2017-20 and Budget for 2017-18 which were approved by County Council at its meeting on 24 February 2016, following the Government's Autumn Statement of 23 November 2016 and the publication of the Local Government Finance Settlement on 15 December 2016.

The reports of the Corporate Resources and Regional Affairs OSC and Corporate Performance OSC were included with the report.

Prior to consideration of the report members viewed a film which highlighted recent successful achievements and activities of the Council. Members complimented Jim Bolland from the Communications Team for the content of the film.

Councillor Jackson made a number of points including the following:-

- The report did not include detail regarding the budget of individual departments which he felt was necessary.
- Further detail on the calculation of the Growth and Commitments entry on page 42 of the report was needed.
- The main focus of the budget was the significant capital investment programme, some of which was supported by his group, including the Ashington, Blyth and Tyne line and the provision of extra car parking spaces.
- There was public scepticism that election promises would be delivered.
- His main objections to the capital programme were:

- The delegation of spending decisions on £150m pa for three years to the Leader and Chief Executive without any accountability.
- Setting aside funding for the Ponteland Bypass and flood defences before a decision had been taken on the Lugano planning application, which seemed like pre-determination.
- Funding for the new HQ in Ashington.
- He was concerned that there would be a build up of debt within the Council which could amount to £1.4bn and he queried how the capital and interest on this could be paid back.
- He asked that further information be provided to him on both departmental budgets previously mentioned, and a stress test on the Council's debt should interest rates go up.

Councillor Arckless commented that the Council had invested right across the County despite the very difficult financial situation. He was proud of what had been achieved by the Authority. He referred to his very real concerns regarding the estimated reduction in the education services grant detailed in recommendation 8, which should be a concern for all members. He was also concerned about the the impact of the schools funding formula which would bring significant challenges for Northumberland.

Councillor Kelly was happy to share responsibility for the decisions taken by Cabinet which he felt had demonstrated imagination, foresight and boldness. The imaginative approach adopted by the Authority had lessened the blow of significant financial pressures. Its invest to save approach had enabled it to avoid the massive cuts which neighbouring authorities had been forced to take.

Councillor Reid commented on the unenviable financial position facing the Council in the coming years. He acknowledged that there was little room for manoeuvre but did not feel that the Administration was taking the capital programme in the right direction. There was a risk of over borrowing and he did not agree with deferring £20m savings until after the election.

In response to some of the points made the Leader advised that the increase in the capital programme would be a decision for Council on 22 February. If this were to be reduced then members would need to identify what could be removed. The Administration had delivered what it said it would do and cuts had been reduced because of the way the budget profile had been reframed. Keeping people employed had the benefit of assisting the local economy. In addition, the £150m delegation referred to at recommendation 22 would be in accordance with the decisions of Cabinet and Council and would enable situations such as Storm Desmond to be dealt with.

The Deputy Leader highlighted the recommendation from Scrutiny regarding recommendation 22, suggesting that members support this. He moved the recommendations detailed in the report, including this amendment to recommendation 22, which was seconded by Councillor Hepple.

On the recommendations being put to the vote there voted **FOR: 7;**
AGAINST: 1 (PAJ); ABSTENTIONS: 1(JR).

It was therefore **RESOLVED** that the following recommendations be made to Council:-

1. To note the significant reduction in Settlement Funding Assessment (24.36 per cent) and Revenue Support Grant (75.21 per cent) and the worse than average growth in Core Spending Power received by the Council (1.17 per cent) in comparison to the England average (2.56 per cent) and the average of the seven North East Councils (2.50 per cent) over the period of the Medium Term Financial Plan;
2. To note the Government's assessment of Core Spending Power for the Council assumes an annual inflationary uplift for Council Tax, that the additional Adult Social Care Council Tax precept is charged annually; and, that the Council grows its Council Tax Base year on year.

No adjustment is made to funding allocations to take into account inflationary increases, which amount to £4.7 million in 2017-2018 and £11.6 million over the period of the Medium Term Financial Plan, or unfunded new burdens costs such as the Apprenticeship Levy; which is estimated to cost the Council approximately £0.5 million per annum (£1.0 million including schools) and the National Living Wage which is estimated to cost the Council in excess of £9.0 million over the remaining period of the Medium Term Financial Plan, £12.0 million over the period 2016-2020;

3. To approve the revised Medium Term Financial Plan covering the period 2017-2020 detailed within Appendix 1 and the revenue budget for 2017-2018; including, the requirement to deliver budget reduction measures equating to £6.0 million in 2017-2018 and £36.0 million over the period 2017-2020. The target over the period of the Medium Term Financial Plan has reduced by £10.0 million, from £46.0 million, when compared to the figure reported to Council in February 2016. The main reasons for this reduction are: increased income from Council Tax receipts linked to economic growth and housing development in the county, and, increased income from third party loans;
4. To note the Government's offer of a four year funding allocation;
5. To note the estimated receipt of the New Homes Bonus of £6.3 million for 2017-2018 and the indicative allocation of £4.5 million by 2019- 2020. Also note that the figures for 2018-2019 onwards are indicative and are subject to further Government consultation on the operation of the New Homes Bonus Scheme;
6. To note the estimated receipt of the non-recurrent Adult Social Care Support

Grant of £1.5 million in 2017-2018 which has been funded nationally through savings made from the New Homes Bonus Scheme;

7. To note the reduction in Housing Benefit Administration Grant of £0.1 million within 2017-2018 to £1.1 million;
8. To note the estimated reduction of the Education Services Grant in 2017-2018 of £2.43 million to £0.8 million, and, the subsequent cessation of the grant from August 2017;
9. To note the decision by County Council on 24 February 2016 to increase Council Tax by 1.99 per cent in 2017-2018. In line with the Government's Core Spending Power calculations, the Medium Term Financial Plan also includes an inflationary uplift in Council Tax. The uplift used in both 2018-2019 and 2019-2020 is 1.99 per cent.
10. To approve the use of protected Collection Fund balances of £9.6 million in 2017-2018 to support the Medium Term Financial Plan;
11. To accept the Government's offer to increase Council Tax by an additional 3 per cent in 2017-2018 for use on Adult Social Care services; raising an additional £4.6 million in 2017-2018, and, increasing to £12.2 million recurrently by 2019-2020. However, it is estimated that this income will reduce by up to £1.9 million over the period of the Medium Term Financial Plan 2016-2020 after the Local Council Tax Support Scheme is applied, which will need to be funded from existing budgets. Therefore, this increase will not cover the estimated cost of the introduction of the National Living Wage on all Adult Social Care contracts which is forecast to be approximately £12.0 million over the same period. In line with the Government's offer to increase Council Tax for Adult Social Care purposes the Medium Term Financial Plan also includes a 3 per cent per annum increase in 2018-2019 and no increase in 2019-2020;
12. To approve the revisions to the Revenues and Benefits Service Rates Relief Policy and Corporate Debt Recovery Policy in Appendix 2;
13. To approve the Inflation Funding Schedule highlighted in Appendix 3;
14. Approve the 2017-2018 budget reduction targets contained in Appendix 4 of £6.0 million and note that £36.0 million of budget reductions are required over the period of the Medium Term Financial Plan 2017-2020;
15. To note the Summary of the Reserves and Provisions contained within Appendix 6;
16. To note the overall reduction in the ring fenced Dedicated Schools Grant of £0.6 million in 2017-2018. This is a result of three schools converting to academies during 2016-2017, plus additional Early Years funding and the transfer of some services and funding formerly funded through the

Education Services Grant;

17. To note that rents for Council tenants are being set on the basis of the Chancellor's announcement in July 2015 - a compulsory reduction of 1 per cent per annum for four years which commenced in 2016-2017 and note from 2017-2018 this now also includes a 1 per cent reduction for supported housing which was exempt in 2016-2017, but has now been confirmed by the Department for Communities and Local Government;
18. To agree the Housing Revenue Account 2017-2018 budget and note the indicative 30 year Housing Revenue Account business plan as detailed within Appendix 7;
19. To note the original housing debt cap of £107.3 million plus the additional £2.2 million agreed in 2016-2017 for Morpeth Road will not be increased further, as there are currently no plans to develop affordable housing schemes through the Housing Revenue Account. Cabinet has already agreed to transfer the 22 Allendale properties into the Housing Revenue Account from Homes for Northumberland. This has been achieved within the current housing debt cap;
20. To note the 2016-2017 Capital Programme variations and approve the re-profiling of the Capital Programme of £29.5 million detailed within Appendix 8;
21. To approve the revised Capital Programme as detailed within Appendix 9;
22. To agree the approval of individual loans to third parties be delegated to the Chief Executive in conjunction with the Leader of the Council, where the recipient of the loan is ARCH, Active Northumberland or Northumbria Healthcare;
23. To agree the approval of individual projects which propose to utilise the flexibilities of capital receipts to the Chief Executive; subject to a subsequent update to the Capital Works Programme Cabinet Advisory Group;
24. To approve the Prudential Indicators based on the proposed Capital Programme detailed within Appendix 10;
25. To approve the Minimum Debt Provision Policy detailed in Appendix 11;
26. To approve the proposed Treasury Management Strategy detailed in Appendix 12; and
27. To approve the Pay Policy Statement for 2017-2018 at Appendix 13.

(2) Local Government Pension Scheme Requirements for Asset Pooling

The report proposed an approach to ensuring the Council, acting in its capacity as the administering authority for Northumberland County Council Pension Fund (NCCPF), could meet its regulatory obligations for asset pooling through joining the proposed Border to Coast Pensions Partnership (BCPP) pooling arrangement, and sought the recommendation of Cabinet that full Council, on 22 February, takes the decisions to effect that proposal (copy attached to the signed minutes as Appendix D).

The Chair of the Pension Fund Panel, Councillor A.W Reid, provided members with the background to the proposal which included the following points:-

- Much work had been done in this area requiring a lot of work by members and excellent support from Clare Gorman, which should be acknowledged.
- This was a requirement being imposed by the Government.
- The Border to Coast Pensions Partnership would be one of the largest in the country, though Northumberland's Pension Fund was a small part of the overall total.
- Fund manager fees had already reduced though this could be a one off.
- The Partnership was working well so far. A Chair was still to be appointed and the HQ would be in Leeds. The Partnership would meet in March to agree final arrangements.

Councillor J. Reid queried how the Councils involved had been identified, whether the Council would be taking this course of action were it not being imposed by legislation, and whether the Chair was convinced that this was the best option for the Authority.

Councillor A.W. Reid responded that initial work had been done by Cumbria. It had made sense for other northern authorities to join in. Other authorities from around the country had become involved who, for various reasons, had not joined in with other Partnerships.

He added that, should this not be being imposed, then it was his view that it was still a course of action the Authority should take as it would reduce the running costs of the fund, and he fully supported it as the best option for the Council.

Councillor Ledger queried when the operating costs would be known. Councillor A.W. Reid advised that there were still a number of details to be resolved including a number of legal issues. There was a £350,000 joining fee but the proposals would bring about savings in the longer term.

Councillor Jackson expressed his thanks to the Chair of the Panel and the members for their hard work on this issue and over recent years.

Councillor Swithenbank firmly supported the proposals as they would minimise risk and management fees whilst tracking the market, which he was all in favour of. The issue of where Councils were located was irrelevant as the assets being managed were world wide.

RESOLVED that Council be recommended, as administering authority for the Northumberland County Council Pension Fund, to meet the regulatory requirements to pool Pension Fund assets by:

1. agreeing to be a member of the Border to Coast Pensions Partnership (BCPP) and to adopt its arrangements which are to:
 - i enter into the Inter Authority Agreement (Appendix 4) between the Council and the other eleven administering authorities collaborating in the proposed BCPP pool;
 - ii enter into the Shareholders' Agreement (Appendix 5) between the Council and the other eleven administering authorities collaborating in the proposed BCPP pool and BCPP Company;
 - iii agree the Articles of Association to be adopted by BCPP Company (Appendix 6)
 - iv approve the establishment of BCPP Joint Committee as a formal Joint Committee under section 102 of the Local Government Act 1972 in accordance with and to carry out the functions as set out in the Inter Authority Agreement (Appendix 4);
2. approving the subscription by Northumberland County Council of one Class A voting share in BCPP Company and such number of Class B non-voting shares in BCPP Company as shall be necessary to ensure that the Council contributes one twelfth of the minimum regulatory capital requirement of the Company to fulfil the requirements of the Financial Conduct Authority;
3. authorising the Pension Fund Panel to nominate a representative (and substitute) to vote this shareholding and to represent the Council on the BCPP Joint Committee;
4. authorising the Legal Services Manager to make the consequential changes required to the Constitution to reflect these new arrangements; and
5. authorising the Chief Executive in consultation with the Deputy Leader of the Council and the Chairman of the Pension Fund Panel to finalise the approval and execution, where required, of all legal documents necessary to give effect to the above decisions.

73. NOTES OF THE CORPORATE PARENTING CABINET ADVISORY GROUP

Cabinet was asked to consider the notes of the Corporate Parenting CAG meeting of 21 December 2016 and the recommendations detailed at Minute No.20 (c) (copy attached to the signed minutes as Appendix F).

Councillor Murray, as Chair of the CAG, commented positively on the active role the CAG and its members played and the good Ofsted report on young people’s homes which had been received.

In response to increasing legislation and the need for more expertise in membership of the CAG, and to support better involvement in the CAG by young people by alternating venues, Cabinet’s endorsement was being sought to widen membership and to revise its terms of reference.

RESOLVED that:-

- (a) the proposals to widen the membership of the Corporate Parenting CAG and to widen its terms of reference in order to promote its work be endorsed; and
- (b) Council be recommended to appoint the Corporate Parenting CAG with the revised membership and terms of reference at the annual meeting in May 2017.

74. AREA COMMITTEE FEEDBACK

Cabinet was asked to consider feedback from recent area committee meetings (copy attached to the signed minutes as Appendix G).

RESOLVED that the feedback be received.

CHAIR.....

DATE.....