



## Policy and Resources Committee - 10 October 2016

### North Northamptonshire Development Company (NNDC) – Future Funding

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#### Purpose of report

To provide Members with an update on the current position of NNDC and recommend that the Council ceases funding it.

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#### 1.0 Background

- 1.1 NNDC is a private limited company supported by East Northamptonshire District Council (ENC) and Kettering Borough Council (KBC). The Company is run by a Board, comprising of a Chair, representatives from ENC (currently Cllr R Lewis) and KBC, and five representatives from local business and the voluntary sector.
- 1.2 The Company was originally set up after a merger of North Northamptonshire Together and Catalyst Corby, at a time when the government was prepared to put significant capacity funding into local regeneration agencies, to support and encourage the growth agenda. NNDC was seen as an alternative to setting up a formal urban development corporation (as happened in West Northamptonshire).
- 1.3 The membership of NNDC previously included the four North Northamptonshire District Councils, Northamptonshire County Council and two government agencies, the East Midlands Development Agency and the Homes and Communities Agency. The members were responsible for funding NNDC. When the coalition government in 2010-11 removed central government funding, the government agencies withdrew from membership. Corby, Wellingborough and Northamptonshire County Council also withdrew in 2011. This left only KBC and ENC as Members providing the majority of the financial support needed to maintain the company.
- 1.4 ENC currently contributes £30,000 per annum to NNDC. On the information provided by NNDC, the trajectory of its finances is such that it will run out of money during 2018-19 without a significant uplift in the contributions from KBC and ENC, which raises longer term questions about its sustainability.
- 1.5 It has therefore been concluded by both councils that now is the right time to review future funding arrangements. The options are:
  - To increase the contribution to approximately £40,000 per annum (this will simply maintain the existing level of service)
  - To continue funding £30,000 per annum for a further 18 months to two years
  - To terminate funding at the end of this financial year, giving adequate time for the company to wind up its affairs between now and then.

- 1.6 NNDC has been advised of the Councils' review of funding pending the submission of reports to their respective committees in order to enable the NNDC Board meeting in September to consider its position and what arrangements would be necessary if either or both councils were to withdraw, including closing down the company with effect from a date in 2017.

## **2.0 Important issues to consider**

- 2.1 The principal service that NNDC now provides to ENC is viability testing of some major development proposals, although it is able to provide project support, advice, market intelligence, and capacity when called upon. These services can be secured through the open market, as other authorities within North Northamptonshire have done since withdrawing from NNDC.
- 2.2 Given the overall constraints on local authority finances, it is appropriate to consider now whether continuing to fund NNDC for up to another two years is worthwhile, given that its demise is effectively unavoidable after that time without a significant increase in funding from both councils. .
- 2.3 It should be noted that if either council decides to withdraw from NNDC it will have the same impact on the future viability of NNDC in the short-term as both councils deciding to withdraw.

## **3.0 Equality and Diversity Implications**

- 3.1 There are no known equality and diversity implications for East Northamptonshire Council should we decide to withdraw from NNDC.

## **4.0 Legal Implications**

- 4.1 ENC can resign from the Company and cease to be a member by giving written notice to the company at any time.

## **5.0 Risk Management**

- 5.1 The key risk associated with withdrawal from NNDC was considered to be if there was any potential liability by this Council for any payments to the Local Government Pension Scheme as a result of NNDC ceasing to exist. As noted below external legal advice has been obtained that indicates that the maximum liability is £1.

## **6.0 Resource and Financial Implications**

- 6.1 The withdrawal of funding will produce a revenue saving of £30,000 although it is proposed that a rolling reserve of £20,000 is created, to be topped up annually as required, to reflect the fluctuating level of funding required for viability assessments associated with planning applications and S106 agreement negotiations. The requirement for such a reserve and/or its level would need to be reviewed if the council decided to adopt a CIL approach to developer contributions.
- 6.2 NNDC is a private limited company. Under the Articles of Association, should the Company cease trading and be wound up ENC would be liable to pay a maximum of £1. This means ENC will not be liable for any debts of the Company including any payments due to the Local Government Pension Scheme. This has been confirmed by external legal advice.

## 7.0 Constitutional Implications

7.1 There are no Constitutional implications arising from this report..

## 8.0 Customer Service Implications

8.1 There are no Customer Services implications arising from this report

## 9.0 Corporate Outcomes

9.1 The proposal to cease membership and funding of NNDC would contribute to the Corporate Outcome of Good Value for Money by focusing council resources on priority activity.

## 10.0 Recommendation

10.1 Policy and Resources Committee is recommended to agree that:

a) Funding contributions to NNDC cease from 31 March 2017 and provision for a rolling reserve of £20,000 for viability assessments for major applications be created from 1 April 2017.

*[Reason: to secure best value in use of public resources by this council]*

b) Written notice of termination be served on NNDC in accordance with the Articles of Association to ensure termination of ENC involvement by 31 March 2017.

*[To ensure legal compliance]*

c) The Chairman, Chief Executive and Board members of NNDC be formally thanked for their service in their respective roles over the last few years

*[Reason: to recognise past positive activity on behalf of ENC residents].*

<b>Legal</b>	Power: <b>Companies Legislation</b>				
	Other considerations: NNDC Articles of Association				
<b>Background Papers:</b> NNDC Published Accounts					
<b>Person Report:</b>	<b>Originating Name,</b> Sharn Matthews, Executive Director and Monitoring Officer ☎ 01832 742018 ✉ smatthews@east-northamptonshire.gov.uk				
<b>Date:</b> 29 September 2016					
<b>CFO</b>		<b>MO</b>		<b>CX</b>	