

Call in of Item 15 Cabinet 3<sup>rd</sup> September 2018 : Egmore Business Zone Project as follows:

**DECISIONS RESOLVED:**

1. To progress the final lease arrangements with Walsingham Estates on the basis outlined within the exempt appendix and that that authority is delegated to the Head of Paid Service (Steve Blatch) in consultation with the Portfolio Holder for Business & Economic Development and Tourism to sign off agreement of the final terms

2. To progress the final lease arrangements with the prospective tenant for the first unit on the basis outlined within the exempt appendix and that that authority is delegated to the Head of Paid Service (Steve Blatch) in consultation with the Portfolio Holder for Business & Economic Development and Tourism to complete this agreement

3. That an additional budget requirement of £360,000 is approved to support the construction of the road infrastructure and first unit

4. To award the construction contract to the preferred contractor as identified within exempt appendix D subject to completion of a value engineering exercise

To include the annual income and running costs as identified within exempt appendix D within the revenue budget and future forecasts

6. That authority is delegated to the Head of Paid Service (Steve Blatch) to agree governance and financial arrangements for the Egmore Enterprise Zone on a similar basis as that agreed for Scottow in consultation with the Head of Finance, Leader of the Council and Portfolio Holder for Business & Economic Development and Tourism to ensure the Enterprise Zone is developed out as planned.

We, the undersigned, wish to Call In the aforementioned decisions for the following reasons:

1. Cabinet overrode critical information with regards to the current risks associated with this project and do not have the support of the majority of Members to spend public money on this scheme. The original 2015 report from BE Group (used as

one evidence source) states in relation to Egmore *'leave to market. No NNDC intervention'* (Page xi), yet Cabinet have ignored this advice. It also quotes a regional agent as stating 'Unsure as to whether development at Egmore will be successful – more likely that businesses associated with wind power will base themselves at the operational ports' (Page 71) and indeed this is what has happened in practice. No evidence was presented to the O&S AMWG which demonstrated an improvement in market conditions since 2015.

2. The Scheme upon which the decision was made has projected returns of only 1.62% and a payback period of 50 years. This information was not available when this scheme was considered by the O&S AMWG in pre-scrutiny and was only produced as a result of Scrutiny questions. It begs the question what other information has not been fully considered in evaluating this scheme. These projected returns and lengthy payback period means that the Decision made is therefore outside the Policy Framework (Asset Management and Treasury Management) and is therefore subject to section 4.1 of the Constitution whereby it is a 'Departure Decision' and 'may only be taken by the Council'.
3. We have spoken to a source close to the investigation at Northampton Council to understand how that Council came to be in such a parlous state. The conclusion was that Members and Officers took action on optimistic forecasts and did not sufficiently stress test the assumptions underpinning those forecasts. We fear we are in similar territory. The business case, which underpins this decision, appears to offer positive returns of over 5%. Yet the reality is that we only have a **guarantee** of returns of less than 2%. The evidence presented to the AMWG on the potential upside opportunities were not compelling and as a result, we conclude they are based on optimism and hope, rather than robust analysis of the prevailing market conditions. We remain open to evidence to the contrary.

Alternative Course of Action/Recommendation: To submit this project's business case for Independent Scrutiny to stress test the risk assumptions made by Cabinet and to rule whether this investment is in the interest of the public purse and in accordance

with Policy & Budgetary Framework. The independent reviewer must be agreed with the O&S AMWG Chair.

Signed: 

Cllr. Nigel Lloyd, Chair of O&S Asset Management Working Party

Signed: 

Cllr. John Rest, Member O&S Asset Management Working Party

Signed: 

Cllr. Angie Fitch Tillett, O&S Member

Dated.....11<sup>TH</sup> SEPT 2018.....