
**LOCAL GOVERNMENT REORGANISATION
SETTLEMENT RE NEWCASTLE INTERNATIONAL AIRPORT**

**Responsible Cabinet Member - Councillor Stephen Harker
Efficiency and Resources Portfolio**

Responsible Director - Paul Wildsmith, Director of Resources

SUMMARY REPORT

Purpose of the Report

1. To agree settlement with Durham County Council (DCC) of an outstanding issue in relation to Local Government Reorganisation (LGR).

Summary

2. As part of the LGR arbitration settlement, the Council were awarded 16% of DCC shares in the Newcastle Airport Local Authority Holding Company (NALAHC) or a cash equivalent settlement. To date it has not been possible to agree either a settlement sum or the transfer of the shares. The company who owns 49% of Newcastle International Airport (NIA) is currently engaged in a process which should lead to the sale of its shares therefore a value per share could be established for NIA and the proposal is DCC pay the Council a settlement based on the established share price. Since the arbitration in 2001 the Council has received financial benefits as if it was a shareholder and in total including the arbitration settlement has received approximately £6.5m.

Recommendation

3. It is recommended that :-
 - (a) Cabinet approve the settlement of the Local Government Reorganisation – Newcastle International Airport on the terms set out in paragraph 8 of this report.
 - (b) Delegated power is granted to the Director of Resources to agree the valuation of the shares.

Reasons

4. The recommendation is supported to allow settlement at a fair financial level.

**Paul Wildsmith
Director of Resources**

Background Papers

No Background papers were used in the preparation of this report.

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TAB

S17 Crime and Disorder	There are no specific implications for crime and disorder
Health and Well Being	There are no implications
Carbon Impact	The particular decision before members has no carbon impact
Diversity	There are no diversity issues
Wards Affected	The Airport is located outside the Borough boundary and so all wards are affected equally.
Groups Affected	There are no groups with a specific impact
Budget and Policy Framework	This does not represent a change to the MTFP or the Council's strategic policy
Key Decision	This is not a key decision
Urgent Decision	This is not an urgent decision
One Darlington: Perfectly Placed	The income derived from the proposed sale will help the Council to deliver its wider objectives
Efficiency	The proposal does not create any specific efficiency.

MAIN REPORT

Background

5. The Council became a Unitary Council on 1 April 1997 assuming responsibilities for all local government services within the Borough of Darlington. From the 1 April 1997 it was responsible for services previously provided by (DCC) and as part of LGR a number of settlements needed to be made in respect of assets owned by Durham County Council, one such asset being shares in NALAHC. On 1 April 1997, DCC did not agree to pass a proportion of the shares to Darlington and therefore a process was entered into ultimately ending in an arbitration which was finalised in 2001. The arbitration ruled that the Durham County Council should transfer 16% of the shares held by them in NALAHC to Darlington Borough Council or a financial settlement equivalent to the value of the shares.
6. The shares have not been transferred to the Council due to a number of issues with the other local authority and commercial owners of NIA. The Council has in the past indicated its willingness to consider a financial settlement but it has not been possible to gain an agreed valuation.
7. Since the arbitration in 2001 the Council has received financial benefits as if it was a shareholder and in total including the arbitration settlement has received approximately £6.5m.
8. The company who owns 49% of NIA are currently engaged in a process which should lead to the sale of their shares and it is proposed that DCC will settle the arbitration ruling with the Council by paying a sum equal to be value of the Council's shareholding based on the price realised by the commercial owner. This proposal allows both DCC and the Council to agree a settlement based on the markets value of NIA. The Council will need to ensure that the valuation is a true valuation and represents value for money for the Council. It is suggested that this obligation is delegated to the Director of Resources.

Financial Implications

9. The settlement will be a capital receipt and therefore can be used either to invest in assets or to repay debt. Decisions on the use of the receipt will be subject to further reports to Cabinet and/or Council.

Outcome of Consultation

10. There has been no consultation on the contents of this report.