

COUNTY COUNCIL

30 OCTOBER 2013

QUESTIONS FROM MR CUNNINGHAM

QUESTION 1

Given that the Co-op Bank has sustained tremendous losses in the immediate past due to its disastrous banking and investment policies, and is at present in the process of becoming a bank with shares traded on the Stock Exchange. Accepting, as we should, that nationwide; individual and corporate investors, inclusive of many local Councils, are being asked to accept large losses on the Co-op Bank's investment bonds.

Following from the facts listed previously, I wish to know and hear what steps the Council Executive and Council Cabinet Members have taken, or are thinking of taking; to protect any of the Council Taxpayers' funds which have been, or may still be in any type of account or investment deposit with a Bank which has produced such dire news; remembering, as we should, the Council's determination, as stated in their own Code of Conduct, the need at all times to be both Open and Accountable?

RESPONSE

Thank you for your question Mr Cunningham.

The Council's Corporate Director of Resources and myself as Cabinet Member for the Finance Portfolio are well aware of the financial position within the Co-operative Bank and we have been monitoring developments very closely.

The £559m loss reported recently in the Co-operative Bank's Accounts was not wholly unexpected, as this was mainly due to the writing off of bad loans relating to lending by the former Britannia Building Society. These loans had been outstanding since the Bank's merger with the Britannia back in 2009 which has proven to be a wrong strategic move for the Bank.

This loss comes on the back of a further £1.5 billion capital write down in the Bank's balance sheet which the directors of the Co-operative Movement holding company are aiming to fill from other parts of their businesses.

The Corporate Director of Resources believes there is minimal financial risk for the Council in retaining the Co-operative Bank as its bankers. None of the Council's cash is invested in the Co-operative Bank as it does not pass the stringent counterparty tests that are used for the investment of the Council's money. Also, overnight balances held with the bank are kept as low as possible to minimise any risk of loss.

Mr Cunningham should rest assured that the Council is continuing to closely monitor the situation with the Co-operative Bank on a daily basis.

QUESTION 2

I refer to the Excerpt from Page 105 2012 Statement of Accounts. The outstanding balance of the loan at the time of the impairment was £0.797m. This was written off to the Comprehensive Income and Expenditure Statement (Surplus or Deficit on Provision of Services - Financing and Investment Income and Expenditure) and I also refer to Paragraph 2 Delegated Decision June 2013 Don McLure Corporate director, resources., which stated "To approve the terms of a letter to Barclays Bank PLC arising from the provisions of the company voluntary arrangements (CVA) of Durham Waste Management Company Limited and Premier Waste Management Ltd. (Premier) waiving rights with respect to the £400,000.00 bond at the anaerobic digester at the Thornley waste transfer station".

I have been unable to source or completely follow the paper trail, excepting published Internet pages which described how the equipment completely failed to work and function correctly, regarding the writing-off of the loan amounts of £400,000.00, and £797,000.00 which were granted to the now-defunct Durham County Waste Management Company & Premier Waste Management for, as far as I can tell, the building, commissioning, attempted operation, modification and then abandonment of a presumably experimental, badly-designed and constructed but essentially non-operative Waste Anaerobic Digester, inclusive of the dumping of ten thousand tons of Compost-Like Output by order of the regulator, DEFRA..

As these were considerable amounts of tax-payers cash which were seemingly written-off in five lines of print on Pages 18 & 28 deep within the 2012 Annual Report; or alternatively as listed in a Delegated Decision by the Corporate Director, Resources, I would ask, and I am certain the Residents of County Durham would ask as well, to hear and learn the full facts, reasoning and approvals being given for writing either or both of these extremely large amounts of Taxpayers' cash off the books, in the cause, as far as I can establish, of appearing to be furthering a 'Green Economy' agenda? Remembering, as we should, the Council's determination, as stated in their own Code of Conduct, the need at all times to be both Open and Accountable?

RESPONSE

The decision to write off the Council's loan to Durham County Waste Management Limited was made in order secure the agreement of other creditors to the entry of a Company Voluntary Arrangement for Durham County Waste Management Limited and Premier Waste Management Limited who were the trading arm of Durham County Waste Management Limited.

In the absence of a Company Voluntary Arrangement, the companies would have been obliged to cease trading before the Council's new waste management contracts were ready to come into operation. This would have very likely resulted in serious disruption to the waste collection and recycling services and substantial costs over and above the cost of writing off the loan

would have likely been incurred in providing an alternative waste collection service in the short term.

The Council would on the insolvency of Durham County Waste Management Limited have been entitled to claim a percentage of the loan as part of a distribution to creditors. If the Companies had been placed into immediate liquidation that would have amounted to no more than £151k.

The Bond referred to in the question does not relate to the anaerobic digesters. The bond was a performance bond linked to Premier's responsibilities under the waste management contracts.

The waiving of the bond became a requirement of the other creditors that the council should waive the right to claim on that bond if they were to consent to the Company Voluntary Arrangement.

Release of the bond generated funds which encouraged creditors to support the arrangement. The potential costs of disruption of service were considered to outweigh the value of the bond.

The reasoning for the decision is recorded in the delegated decision available on the website.

QUESTION 3

Does the Council Executive agree in any way whatsoever with the recent statements and proposals of Chief Constable Mike Barton on the subject of decriminalisation of Class A Drugs; or do they agree with the Home Office that present-day drug legislation, which calls for robust action against drug dealers but levels of sympathy for drug addicts, is and should remain the Law of the Land?

RESPONSE

The Chief Constable Michael Barton has made it clear that he has issued a personal statement designed to prompt debate on this subject. The County Council continue to work within the existing legislation, we work in partnership with the police on a range of community safety issues and in addition we commission a wide range of service for people with drug addictions. Should a formal consultation be forthcoming from the Government on this matter we would give due consideration at that stage to our response.