



Arch Board Minutes

Date/Time

Friday 27th April 2018
1:00pm – 3:30pm

Venue:

Arch, Wansbeck Workspace, Rotary
Parkway, Ashington, Northumberland,
NE63 8QZ

In attendance:

Cllr Richard Wearmouth
Cllr Peter Jackson
Cllr Jeff Reid
John Woodman

Arch Chair
Leader NCC
Leader of Liberal Democrat Group

Present:

Ken Dunbar

Neil Bradley

Daljit Lally
Claire Anderson (Minutes)

Arch Interim Executive Director of
Business Support
NCC Finance Director/Arch Interim
Finance Director
NCC Chief Executive
Arch Personal Assistant

Part:

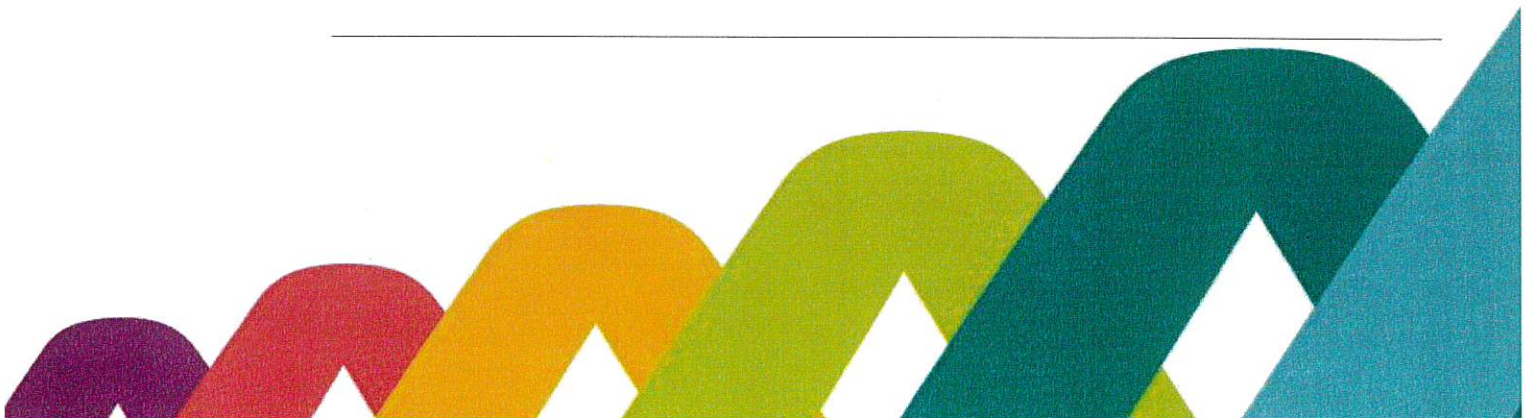
Duncan Bowman
Michael Black
Pam Robertson
John Hildreth
Anne Bridges

Arch Development Director
Arch Head of Investments
Arch HR Manager
Interim Head of Economic Growth
NCC Head of Communications

Apologies:

Cllr Peter Jackson
Cllr Wayne Daley
Chris Sayers

Leader NCC
Deputy Leader, NCC
Chair of the Board of Governors,
Northumbria University





1.0 Welcome and Introductions

1.1 The Chairman welcomed the attendees and declared the meeting quorate.

2.0 Apologies for Absence

2.1 The Chairman reported that there had been apologies for absence from Cllr Peter Jackson, Cllr Wayne Daley and Chris Sayers.

3.0 Declarations of Interest

3.1 None given.

4.0 Minutes of Previous Meetings

4.1 The minutes of the previous meeting held on the 23rd March 2018 were reviewed and **AGREED** as an accurate record of proceedings.

4.2 John Woodman noted that point 12 did not include a public statement being issued to announce future plans for Arch. Richard Wearmouth to update this.

5.0 Matters Arising

5.1 There was a mutual covenant within the title for Ashwood Business Park giving joint benefit to Arch and an adjacent land owner for nuisance and annoyance. Removal of the covenant through CPO could take 12 months. The covenant does not pose any additional risk to development therefore it was deemed low risk to proceed. This would be progressed and the Board would be updated.

5.2 The development on St Paul's land was held up due to issues relating to the proposed temporary access road and the designation of the land in question. Discussions were continuing with the relevant officers at the Council and the Board would be updated.

6.0 Health & Safety

6.1 The Interim Finance Director ran through the Health & Safety report by exception.

6.2 Vibration exposure monitoring has commenced and was well below daily exposure rates set by NCC and HSE.

6.3 The Interim Finance Director will discuss outstanding CP12's with Lee Farrier and report back.



6.4 Site safety inspection being carried out by Lee Farrier and Steven Greer at Ashington Football Club on 3rd May 2018.

7.0 Human Resources

7.1 The HR Manager presented the HR Report.

7.2 The HR Manager stated that the current headcount within Arch at 31st March 2018 was 127, labour turnover for the year ending 31st March 2018 was significantly higher than 2017 at 25.1% (32 leavers). The comparable data for the year ending March 2017 was 13.5% (15 leavers).

7.3 The HR Manager confirmed that the sickness absence rate for the year ending 31st March 2018 was 798 days absence which equated to 6.28 days per person. The comparable data for the year ending March 2017 showed absence rates at 626.5 days equating to 4.89 days per person.

7.4 The HR Manager stated that recruitment is ongoing. Senior Project Manager interviews have been postponed. Ascent Homes have 2 QS vacancies with one post being filled by an individual returning to the company. 136 applications were received for the Property and Tenancy Adviser roles, similarly the Customer Services vacancy. The Apprentice Admin role will be filled later in the Summer after GCSE's.

7.5 The HR Manager stated that the NCC learning and development training portal was now live with mandatory training only. These were Fire Safety, DSE, Lone Working, GDPR, Equality and Diversity, Health & Safety and Stress Awareness.

7.6 The HR Manager went on to state that the programme of management training sessions was ongoing and included;

- Attendance Management
- Recruitment and Induction
- Employment Law
- Performance Management
- Managing Poor Performance
- Managing Disciplinary and Grievance Hearings

7.7 The HR Manager confirmed that she was part of the transition group working on the project plan for the change to the new Company. Employee forum representatives would take on the consultation role for this change as required.

- 7.8 The HR Manager confirmed that work currently ongoing to the Modern Slavery and DBS policy and that drafts of these would be presented at future Board meetings.
- 7.9 The HR Manager stated that the next Employee Forum meeting would be held on the 10th May 2018. This would be the first opportunity to judge the nominations under the Reward and Recognition Scheme which links to Arch's Values.
- 7.10 The HR Manager presented the proposed action plan resulting from the recent Staff Survey.
- 7.11 The HR Manager confirmed that the initial proposal regarding the change of the pension scheme had been received and discussed at high level with Employee Forum members.
- 7.12 The HR Manager went on to confirm that the following policies had been reviewed and were awaiting feedback before being presented to Board;
- Leave from Work
 - Recruitment and Induction
 - Performance Review
 - Substance Misuse
 - Appeals

The Board:

- 7.13 **APPROVED** the action plan on the results of the Staff Survey.
- 8.0 New Company Branding Presentation by NCC Head of Communications**
- 8.1 NCC's Head of Communications confirmed that 6 submissions had been received from creative agencies with 3 being shortlisted to attend pitch interviews. [REDACTED]
- 8.2 [REDACTED]
- 8.3 Three options for the new company name were presented:
- Advance Northumberland
 - Invest Northumberland

- Northumberland Futures

- 8.4 The NCC Chief Executive advised whether 'Invest', in terms of regeneration, should be looked at separately as a brand that either Arch or the Council would develop. It was requested that the name Invest Northumberland domain and company be secured whether it be for the new company or NCC.
- 8.5 It was agreed that workshops would be set up and staff would be consulted on possible names.

9.0 PWC Draft Report

- 9.1 The Interim Director of Business Support circulated a draft report from PWC setting out the options for transfer. A meeting was to be arranged in the next week with PWC to present the report in detail. The Chairman stated that a meeting should be arranged with the Board and that the Interim Executive Director of Business Support should obtain feedback from the Council's Section 151 Officer Deputy Chief Executive to get feedback before the next Cabinet meeting.
- 9.2 The NCC Chief Executive stated that the Board needed to have clear recommendations from the Board, with Board's views, so that these could be considered before taking to Cabinet. The NCC Chief Executive requested a final version of the report with the feedback of the Board asap. The Council would take its own legal advice after the Board's recommendations had been received.

10.0 Financial Update

- 10.1 The Interim Director of Finance presented a financial overview.
- 10.2 The Interim Director of Finance confirmed that the overview covered the key financial update and issues. As previously reported forecast was £1.9m pre tax surplus (circa £1.2m from plan) with the current position forecast at £2.6m pre tax surplus (circa £0.7m from plan).
- 10.3 The Interim Director of Finance went on to confirm that the forecasting within the plan took account of the following issues and assumptions:
- 10.4 The Interim Director of Finance stated that the improvement in position was as a result of;
- Increase in Manor Walks and Westmorland revenue (£200k)
 - Decrease in Arch Housing void maintenance (£127k)

- Decrease in Arch Commercial RGN and Business Northumberland expenditure (£115k)
 - Decrease in Arch Commercial Building and Premises expenditure (£131k)
 - Other general overheads (£127k).
- 10.5 The Interim Director of Finance confirmed that revaluations had been received and were currently being worked through with the Auditors. The approximate revaluations were as follows;
- Arch Housing – down £225k
 - Arch Commercial – down £4.3m
- It was noted that BNPP valuations were considered to be overly cautious, exemplified by the current book value of the Commissioners Quay hotel and recent offers.
- 10.6 John Woodman requested sight of the BNPP valuations report, it was agreed this would be shared.
- 10.7 The Interim Director of Finance went on to confirm that the key financial considerations going forward were as follows;
- Setting interest rates on schemes (Interim Director of Finance to meet with the Council's Section 151 Officer and feedback to next Board)
 - Should equity be built in Arch or the Council? (to consider the pros and cons of changing the current model to capital repayment model)
 - Considering any return NCC required from Arch going forward against the need to invest in current assets and projects and how any dividend would extract that return (dividend, interest differential, charitable contribution or support for regeneration initiatives)
 - Financial risk loading on marginal or "no profit" schemes undertaken by Arch (including consultancy).
- 11.0 Policies for Approval**
- Health & Safety Policy, Freedom of Information and Environmental Information Regulation Policy and Data Protection Policy**
- 11.1 The Interim Executive Director of Business Support presented the Policies for consideration.

- 11.2 The Interim Executive Director of Business Support reminded the Board that arising from the Arch Strategic Review there was a need for an extensive review of Arch policies to ensure they were fit for purpose and that Board had previously approved the following policies;
- Standing Financial Instructions
 - Financial Delegated Authority Policy
 - Business Conduct and Ethical Standards Policy
 - Conflict of Interest and Declarations Policy
- 11.3 The Chairman agreed to take on the role of Health and Safety champion in the interim. The Interim Executive Director of Business Support was the nominated officer for FOI.
- 11.4 With regard to GDPR, over the course of the next month the website would be altered and a clear desk policy would be implemented and monitored.
- 11.5 The Chairman asked what was being done with regard to staff training.
- 11.6 All staff to complete training via NCC training portal and there would be refresher training online.
- 11.7 John Woodman asked how the holding of data worked currently i.e. for tenants.
- 11.8 The Interim Director of Finance stated that we need to check what the policy is for holding information on tenants. We should have a policy on how we hold records.
- The Board:**
- 11.9 **APPROVED** the Health & Safety Policy
- 11.10 **APPROVED** the Freedom of Information and Environmental Information Regulation Policy
- 11.11 **APPROVED** the Data Protection Policy
- 12.0 Project Approvals**
- 12.1 Bedlington Town Centre Redevelopment**
- 12.1.1 The Head of Investments presented the proposal for the redevelopment of

Bedlington Town Centre.

- 12.1.2 The Head of Investments reminded the Board that in January 2015, Tesco closed its Bedlington store. Holding a dominant presence in the centre of Bedlington, aside from being a major blow to the town, ambitious development plans for a new store and offices that Tesco had previously agreed to deliver were abandoned. Overlooking the Market Place in the centre of Bedlington, the Tesco store and adjoining development site comprised four retail units (including Tesco), extensive car parking and a Greggs which continued to trade. All located on a site of circa 5.5 acres.
- 12.1.3 The Head of Investments confirmed that the store, associated land and properties were subsequently offered to the open market by Tesco and, following a competitive bidding process, secured by Arch in the sum of £2.43m with funding provided by NCC. The primary purpose was to deliver a scheme that the community wanted. Something to refocus the regeneration of Bedlington Town Centre and promote positive economic, social and physical change.
- 12.1.4 The Head of Investments stated that, as a development opportunity, the site had many challenges. The retail units on Market Place were located within a Conservation Area, whilst the rear of the site had a significant change in level. Commercial rental levels were also relatively low. Despite these challenges, Arch was charged with delivering a scheme to transform Bedlington Town Centre without reliance on any grant funding or aid. In that regard, Arch had managed to attract private investment into the scheme in sufficient measure to fund the development subject to contract and agreement for leases being completed with occupiers.
- 12.1.5 The Head of Investments confirmed that, since Acquisition, Arch had progressed six key activities;
1. Hosted a number of public consultation events in the town centre, including a Design Competition to establish community preferences for the scheme and appoint a Design Team.
 2. Undertaken demolition, site clearance and remediation of the rear of the site.
 3. Designed a masterplan to demonstrate the capability of the site to the market and provide a balanced mixed-use development that would complement and add value to the existing Bedlington offer.
 4. Secured outline planning permission.

5. Attracted new investment into Bedlington to increase retail diversity and create the economic platform for commercial development and;
6. Introduced affordable housing with tenures to satisfy market demand for town centre living.

12.1.6 The Head of Investments reminded Board that in June 2016, Arch Board had approved the appointment of Ryder Architects and following extensive public consultation, an attractive, cohesive mixed-use scheme was created.

12.1.7



12.1.8



12.1.9 The Head of Investments confirmed that, in the meantime, Arch had gone out to tender to appoint a construction team to undertake development to the front of the site and were also preparing the reserved matters application due to be submitted in April with determination anticipated July. The scheme was now ready to progress, subject to agreement for leases being secured with retailers to secure sufficient critical mass and economic viability to fund the scheme. Given the limited rental values available to Bedlington, it was important to note the cost of development exceeded the value of the scheme. It did however, generate a modest revenue surplus for Arch and this demonstrated why public-sector intervention had been essential to support the regeneration of this historic town centre.

12.1.10 Cllr Jeff Reid questioned whether the development of the food store and the remainder of the development would run in parallel.

- 12.1.11 The Head of Investments confirmed this would be the aim and that subject to contract the development would commence in September.

The Board:

- 12.1.12 **APPROVED** a retail led mixed use scheme that would deliver a comprehensive redevelopment of Bedlington Town Centre.

12.1.13

- 12.1.14 **APPROVED** a development budget of [REDACTED] for the construction of 56,403 sq ft of retail and leisure, four x 2/3 bed apartments, new public realm, access roads and car parking.

- 12.1.15 **APPROVED** delegation to the Arch Chief Executive to ensure satisfactory contractual arrangements are in place to support the investment.

- 12.1.16 **APPROVED** delegation to the Arch Chief Executive to enter into the Building Contract subject to satisfactory contractual arrangements being in place to support the investment.

- 12.1.17 **APPROVED** delegation to the Arch Chief Executive to accept utility quotations for disconnections and new connections in advance of the building contract to secure cost and lead-in for [REDACTED].

12.2 Sale of Land & Redevelopment of former Northumberland Foods Factory Site Coquet Enterprise Park, Amble

- 12.2.1 The Head of Investments presented the proposal for the Sale of Land & Redevelopment of the former Northumberland Foods Factory Site Coquet Enterprise Park, Amble.

- 12.2.2 The Head of Investments reminded Board that since acquisition in 2013, the vacant sites on Coquet Enterprise Park, had attracted limited interest and Arch had been promoting alternative commercial uses across the site. This approach has proven successful. The Amble Inn was approved by Board in August 2017, with development currently progressing well on site.

[REDACTED] Directly across the road from the site,

Persimmon had developed a new residential scheme that had proven extremely popular and was well advanced.

- 12.2.3 The Head of Investments confirmed that one of the key sites on Coquet Enterprise Park was the former Northumberland Foods Factory. Previously the home of 250 workers, it was demolished by Northumberland County Council in 2013 following closure in 2010. Administrators of Northumberland Foods put the site on the market nationwide but it then became a target for thieves and anti-social behaviour and was subsequently acquired by NCC who then sold it to Arch [REDACTED]. Interest for industrial and traditional commercial use had been extremely limited. [REDACTED]

- 12.2.4 The Head of Investments stated that this unique intervention had also given Arch the opportunity to undertake a comprehensive redevelopment of the whole site and if approved, plans would be prepared for a new retail park that could create an exciting new gateway into the town in this key location.

- 12.2.5 The Head of Investments went on to state that, with over £10m of funds already invested in the town, Amble represented a high priority for Arch which would continue to promote tourism and leisure through ownership of Amble Links Caravan Park, let on a long lease to Park Leisure who own and operate a high quality static caravan facility. In addition, following Board approval in 2017, Arch are on site progressing the development of the Amble Inn on behalf of the ICG Group.

- 12.2.6 The Head of Investments confirmed that, whilst CEP provided a strong base for a range of commercial and industrial uses, the high profile former Northumberland Foods site had remained vacant since demolition. Despite being heavily marketed for industrial development, CEP had previously attracted limited demand. Arch had therefore actively been promoting the sites for a range of alternative commercial uses including retail and leisure. This approach had proven fruitful and a series of commercial developments had been forthcoming that have created a

catalyst for a mix of complementary uses. The Coquet Enterprise Park Masterplan demonstrated how the marketing of the site had been approached to deliver a range of uses. It included potential for housing, the development of the Amble Inn, a vets practice and a touring caravan park. The former food factory had provided the opportunity to create a new retail offer for Amble which, despite an increasing population and an attractive location for holiday makers lacked a major foodstore.

- 12.2.7 The Head of Investments confirmed that upon completion of the development Arch could either retain or dispose of the investment elements of the scheme. However, the profitability and viability of the scheme would be informed by the value of the completed development. Arch would also recommend disposal once any rent-free periods had expired.

The Board:

- 12.2.8 **APPROVED** the sale of a 3.58 acre site [REDACTED]
- 12.2.9 **APPROVED** a net receipt, [REDACTED]
- 12.2.10 **APPROVED** all activities required to satisfy the conditions of the sale agreement [REDACTED]
- 12.2.11 **APPROVED** an exemption from Arch Procurement Policy to enable the development to progress in accordance with the terms of the agreement [REDACTED]
- 12.2.12 **APPROVED**, in addition to the estimated net receipt [REDACTED], [REDACTED] as a development budget (subject to agreements with tenants), to deliver an additional 35,000 sq ft of retail space and complete a comprehensive mixed use, retail led scheme, creating a new destination for Amble.

12.3 Consideration of Financial Offers – Blyth Fire Station

- 12.3.1 The Head of Investments presented the proposal to consider the financial offers for the sale of Blyth Fire Station.

12.3.2 The Head of Investments reminded Board that In November 2017 Board was asked to consider two unsolicited offers Arch had received for the former Blyth Fire Station. Board would recall Arch had received a conditional offer [REDACTED] and an unconditional offer [REDACTED]. Although both offers had exceeded market value concerns were raised about the site being developed as a residential care home and the property not having been made available to open market. It was agreed therefore that the property would be put to the open market with a restriction on title preventing use or redevelopment as a care home.

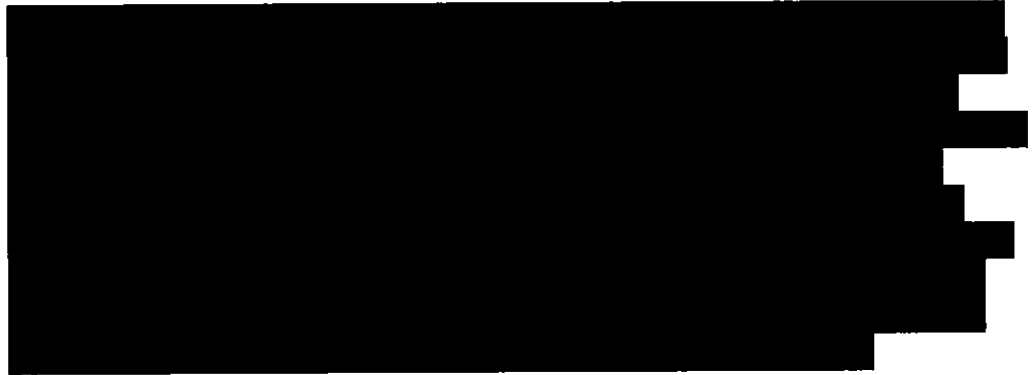
12.3.3 The Head of Investments stated that Agents had been duly appointed by Arch to market the property and had since reported back with bids received. To assist Board, a bid report had been prepared by the agents which also included supporting information from the bidders with details on the proposed use and redevelopment of the site. The following three bids had been received;

[REDACTED]

12.3.4 [REDACTED]

12.3.5 [REDACTED]

12.3.6 [REDACTED]



The Board:

- 12.3.8 **CONSIDERED** the financial offers and **APPROVED** the [REDACTED] offer on the basis of quality and preferred end user. The Head of Investments was instructed to progress.
- 12.4 Empire Court, Whitley Bay: Management Company Set-Up**
- 12.4.1 The Development Director presented the proposal for the setup of a Residents' Management Company to manage the common areas at Empire Curt, Whitley Bay. Board had subsequently decided that this scheme should be sold. Therefore, the scheme was being transferred to Arch (Development Projects) Ltd and was being sold by the Ascent Homes sales team via a local agent to individual purchasers.
- 12.4.2 The Development Director confirmed that the common areas of the scheme, which is essentially an apartment block, needed managing and the management needed funding.
- 12.4.3 The Development Director went on to confirm the approval was requested to set up a Management Company to undertake this function utilizing an Estate Rent Charge levied on purchase. This framework was reflective of the arrangement that were in place for the management company at Arch's scheme, The Maltings, in Alnwick which had previously been approved by Board.
- 12.4.4 The Development Director confirmed that the outline legal framework, as proposed by Arch's retained layers Ward Hadaway, was as follows;
- There would be a Residents Management Company (Man Co) set up which would be limited by guarantee.
 - As the Man Co was being set up as a company limited by guarantee rather than shares and shareholders there would be members. The

Initial Subscriber was the first member of the company. Each purchaser would become a member of the management company.

- The initial subscriber to the Man Co would be Arch (Development Projects) Limited (Arch DP). This would provide control via the company's Articles of Agreement to the initial subscriber. This control would relinquish upon the last plot sale or later if necessary. This would allow Arch DP to ensure the estate was maintained during the selling period.
- Once control was relinquished by the Initial Subscriber, the purchasers would assume control of the Management Company.
- An Estate Rent Charge which would be levied on purchasers through their lease within their leasehold agreement and any successor in title was bound by the same requirements. Similarly, there was a requirement noted within the leasehold that for Man Co. to provide Management Services.
- The Management Company would utilise the Rent Charge receipts to fund the functions of the Management Company. In this instance, it would include matters such as, corridor cleaning, window cleaning, lift maintenance, building insurance, repairs fund, fire safety system check etc.
- Arch would provide a Director on the Man Co. It was proposed that this would be a member of SLT.
- A Managing Agent would be appointed by the Man Co. They were controlled through a service agreement to the Management Company. They would undertake the day to day management of the business which would include: establishing the Estate Rent Charge budget, purchaser interface, ensuring all maintenance works were completed in accordance with all statutory and health and safety requirements, company secretarial role, provision of audited company accounts, ensuring receipt of Estate Rent Charge payments ensuring building insurance was in place and managing day to day purchaser issues etc.

The Board:

- 12.4.5 **APPROVED** the setup of a Residents Management Company to manage the common areas at Empire Court, Whitley Bay.
- 12.5 **Extension to the Business Northumberland ERDF Programme 2019-2022**
- 12.5.1 The Interim Head of Economic Growth introduced the paper for the approval to submit a full European Regional Development Funding

(ERDF) application and business case for the extension to the Business Northumberland business support programme 2019-2022 including provision of 50% match funding from Arch to a maximum value of £692,250 over the three-year period.

- 12.5.2 The Interim Head of Economic Growth stated that the Arch Economic Growth team delivered a number of business support services to encourage inward investment and support business growth across Northumberland with a view to creating more and better jobs across our economy. These services included the delivery of a dedicated support service to growing Micro, Small and Medium size Enterprises (SMEs) across the whole of Northumberland through the current Business Northumberland offering, which was match funded through the ERDF 2016-2019 programme.
- 12.5.3 The Interim Head of Economic Growth confirmed that the current Business Northumberland programme supported the delivery of the key theme of 'Business' within the Northumberland Economic Strategy 2015-2025 which was reflective of the North East Local Enterprise Partnership (NELEP) Strategic Economic Plan as well as supporting the emerging priorities linked to North of Tyne Devolution and Borderlands, by contributing to attracting investment; growing key sectors; productivity and innovation; and enterprise and business growth across urban and rural areas.
- 12.5.4 The Interim Head of Economic Growth went on to confirm that the current programme, which worked to support Northumberland's key market sectors, provided these businesses with access to a series of demand led business seminars, workshops, master classes and events across a range of areas including business growth planning, finance, HR, marketing and promotion i.e. Search Engine Optimisation (SEO), Digital Marketing and Social Media, as well as a wider range of sector based topics including 'Building a Digital Strategy for Tourism' which took place over two days and concentrated on creating effective marketing campaigns to increase engagement and ultimately bookings for Northumberland's tourism and leisure sector.
- 12.5.5 The Interim Head of Economic Growth stated that Business Northumberland had also focused on supporting the manufacturing sector by running specific networking events for businesses in this field and were currently supporting a delegation of six manufacturing businesses from across the county by facilitating their attendance at SubCon, a manufacturing supply chain event in June 2018.

- 12.5.6 The Interim Head of Economic Growth confirmed that Businesses which were identified as having high growth potential (using the ASIA model – where businesses demonstrated Ambition, Scale-up potential, Innovation and Ability) through 1:1 engagement or via the online diagnostic tool can also access specialist coaches and business mentors to help unlock economic growth and job creation within Northumberland.
- 12.5.7 The Interim Head of Economic Growth went on to confirm that, to date, the current Business Northumberland service had attracted over 700 businesses onto the programme to date (against a target of 204 for the lifetime of the project) with this figure rising weekly, demonstrating a real need for the provision of support.
- 12.5.8 The Interim Head of Economic Growth stated that in November 2017, Arch had submitted an Expression of Interest (EOI) to the Department for Communities and Local Government (DCLG) in order to approve an extension to the current Business Northumberland provision beyond 2019 until 2022. The EOI set out a target to create a further 80 jobs, support 60 enterprises to introduce new to the firm products and assist at least 400 SME businesses in Northumberland, providing businesses with up to 12 hours of dedicated support and access to tools and resources to help them to grow.
- 12.5.9 The Interim Head of Economic Growth further stated that as the proposed programme is a funding extension rather than a new funding application, it was envisaged that the delivery model and engagement with client businesses would continue in the form of 1-1 business support from the three business support advisors, a series of demand led events across the whole of the Northumberland, complimented by access to the Business Northumberland online portal and learning resources (as Arch retained all of the Intellectual Property (IP) and Copyright for these resources) and the ability to draw down specialist business coaches and mentors to support high growth businesses.
- 12.5.10 The Interim Head of Economic Growth confirmed that the EOI, which outlined the above, was subsequently approved by DCLG and Arch was invited to submit a full application and business case which was now under development with final submission due by 30th May 2018. The new programme, if approved, would continue to serve all of Northumberland and would be operational for three years from 1st May 2019 – 31st March 2022. The programme would continue to be named

“Business Northumberland” based on the positive impact and traction it had within the market.

- 12.5.11 The Interim Head of Economic Growth stated that, to secure the European funding, match funding had to be provided at a level of at least 50% of the total project cost and was awarded on a competitive basis. The proposed Business Northumberland extension project cost is £1,384,500 between 2019-2022. This would require Arch to approve a total of £692,250 to match the minimum 50% threshold to access ERDF funding to extend the Business Northumberland programme from 2019-2022. This was made up of a contribution from salary costs of £393,181 and a cash contribution of £299,069 from Arch P&L over 2019-2022. Provisional allowance had been made within the Medium Term Financial Plan (MTFP) which had been based on the EOI submitted.

The Board:

- 12.5.12 **APPROVED** the submission of a full ERDF application and business case for the extension to the Business Northumberland business support programme into 2019-2022 including provision of 50% match funding from Arch to a maximum of value of £692,250 over the three-year period.
- 12.6 Grant Funding Extension from the Department for International Trade (DIT) to deliver Key Account Management in Northumberland 2018/19**
- 12.6.1 The Interim Head of Economic Growth introduced the paper to request the approval to draw down up to £24,000 of grant funding from the Department for International Trade (DIT) in order to continue to deliver the Key Account Management service to Foreign Direct Investment companies in Northumberland during 2018/19.
- 12.6.2 The Interim Head of Economic Growth confirmed that the Arch Economic Growth team delivered a number of business support services to encourage inward investment and support business growth across Northumberland with a view to creating more and better jobs across our economy. These services included the delivery of the Northumberland Strategic Account Management Programme which was formally launched in 2016/17 to engage with Foreign Direct Investor companies, large indigenous business and businesses which are strategic to Northumberland’s key market towns. The programme aimed to work with and support these businesses in order to deliver new investment projects and job creation as well as providing business intelligence back to Arch

and Northumberland County Council, to help shape economic policy to create the right environment for business growth within the County.

- 12.6.3 The Interim Head of Economic Growth stated that in 2017/18, the Department for International Trade's (DIT) Northern Power House (NPH) team launched a programme to fund local partners within the NPH region to provide a Key Account Management Services (KAM) to Foreign Direct Investment (FDI) Companies within their local areas where DIT did not have an existing active relationship. The importance of FDI reinvestment projects to the North East Local Enterprise Partnership (NELEP) area, is best highlighted through the fact that in 2017/18 over 90% of all successful FDI inward investment into the NELEP area was in the form of reinvestment projects i.e. existing FDI companies investing in new job creating projects.
- 12.6.4 The Interim Head of Economic Growth confirmed that the KAM programme, which mirrored the Northumberland SAM programme in its approach, was set up by DIT with the objective of providing additional 'on the ground' resource to identify and support reinvestment projects from this 'untapped' pool of FDI companies across the NPH area. The funding was allocated to six of the seven local partners in the NELEP area via the North East Combined Authority (NECA), which acted as the accountable body on behalf of Invest North East England.
- 12.6.5 The Interim Head of Economic Growth stated that following recognition of the importance of supporting existing FDI companies who maybe investing in new job creating projects within Northumberland, Arch was part of a successful pilot in 2017/18. The programme provided a direct grant funding award to Arch Corporate Holdings Ltd to the value of £30,300 to support 1FTE in Q1 2017/18 and 0.5FTE resource for the remainder of 2017/18 in return for the delivery of the DIT KAM service in Northumberland. This grant funding award was used by Arch to offset the total resource cost for one of the Economic Growth Team's Business Growth and Investment Manager.
- 12.6.6 The Interim Head of Economic Growth confirmed that the £24,000 grant would be used by Arch to again offset the total resource cost for one of the Economic Growth Team's Business Growth and Investment Manager post at a value of £42,386.09 (including salary and on costs to Arch) in 2018/19. Arch had agreed with DIT that, subject to Arch Board approval to draw down the grant funding and participate in the extension in 2018/19, the

additional project could be carried over and offset against the 2018/19 target.

The Board:

12.6.7 **APPROVED** the drawdown of up to £24,000 of grant funding from the Department for International Trade to continue to deliver the Key Account Management service to Foreign Direct Investment companies in Northumberland during 2018/19.

12.7 Sale of the Commissioners Quay Inn to ICG

12.7.1 The Head of Investments presented the proposal covering the principle of the sale of the Commissioners Quay Inn, Blyth to ICG.

12.7.2 The Head of Investments confirmed that the sale was subject to the following;

- Consent of the North East Local Enterprise Partnership who part funded the development. [REDACTED]
- Confirmation that the core grant funding was not subject to claw back and that the grant repayment mechanism (paid back through the business rates generated from the property over 25 years) could not be claimed back from Arch or NCC if ICG were to become insolvent and business rates payments cease.

12.7.3 The Head of Investments stated that Arch had received an unsolicited offer from ICG (tenants of the Commissioners Quay Inn, Blyth), for the purchase of the freehold in the sum of [REDACTED]. The market value of the CQI was £3.875m. [REDACTED]

[REDACTED] This represented an attractive offer for Arch. There was the potential to pay off the debt to NCC that was required to build the hotel and, subject to consents from the NELEP, a potential net surplus for Arch of [REDACTED]. In addition, it also reduced economic risk for Arch as Board will recall, Arch are also in the process of building a hotel in Amble that, upon completion, will be let to ICG on another lease agreement. Selling Blyth reduced the risk if in the future ICG became insolvent.

12.7.4 The Head of Investments went on to state that, as part of the development of the CQI, Arch had entered into a Grant Funding Agreement with the NELEP who contributed funding of £1.384m towards the scheme. The NELEP recover its investment from the collection of business rates over a 25-year period from occupation by the tenant. To facilitate this there was an agreement in place between NCC and the NELEP that confirmed the terms of this arrangement. As such, the sale required the consent of the NELEP and was also subject to a claw back arrangement that was triggered on any sale proceeds [REDACTED]

12.7.5 The Head of Investments confirmed that, to enable the sale to proceed, Arch would require the in-principle Board approval. The next stage of the process was to approach the NELEP to seek consent, the extent of the claw back (including terms already agreed in the contractual provision) and risk of claw back to Arch or NCC if the business fails and the payment of business rates by ICG ceased. The Head of Investments will be writing to NELEP to seek consent.

12.7.8 The Head of Investments stated that, if approved by Board and consented by the NELEP, following the sale [REDACTED], Arch had calculated that the debt to NCC would be repaid in full and Arch could secure a profit [REDACTED]. However, it was important to note that after allowing for the repayment of the loan to NCC, the sale would generate an annual loss of income for Arch [REDACTED].

12.7.9 A restrictive covenant will be placed on the disposal to ensure the use of the property is retained as a hotel.

The Board:

12.7.10 **APPROVED** the principle of the sale of the Commissioners Quay Inn [REDACTED]


13.0 Transition Plan Update

13.1 A further meeting was to be reconvened on the 4 May at 9.30 to consider the PWC options report on transfer of Arch to the new Company.

14.0 Any Other Business

14.1 Proposal to extend Power of Attorney to Executive Director of Business Support. Richard Wearmouth to confirm.

14.2 The Chairman thanked the Board for their attendance and closed the meeting at 4pm.



..... **CHAIRMAN**

27th April 2018