
Date/Time

Friday 27th March 2020
13:06 – 16:40

Venue:

By Video/Teleconference Link

In attendance:

Richard Wearmouth
Jeff Reid
Malcolm Robinson
Christine Dunbar
John Woodman
Chris Sayers
Martin Knowles

Advance Northumberland Chair

Present:

Ken Dunbar
Robin Earl

Advance Northumberland Managing Director
Advance Northumberland Chief Operating
Officer

Colin Dickson

Advance Northumberland Chief Finance
Officer

Pat Walker

Advance Northumberland Governance &
Performance Manager

Juliemma McLoughlin

NCC Executive Director of Regeneration,
Commercial & Economy

Kim Grant (Minutes)

Advance Northumberland Personal Assistant

Apologies:

Peter Jackson
Ian Swithenbank
Daljit Lally
Alison Elsdon
Chris Hand

Leader NCC

NCC Chief Executive
NCC Service Director Finance
NCC Executive Director of Finance

1.0 Welcome and Introductions

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

2.0 Apologies for Absence

2.1 The Chair reported that there had been apologies for absence from Peter Jackson, Ian Swithenbank, Daljit Lally, Allison Elsdon and Chris Hand.

3.0 Declarations of Interest

3.1 C Sayers declared an interest with regards to the Rural Design Centre Innovation Project in his capacity as Chair of Northumbria University.

4.0 Minutes of Previous Meetings

4.1 The minutes of the previous meeting held on the 27th February 2020 were **REVIEWED** and **AGREED**.

4.2 Actions from the 27th February Board Meeting

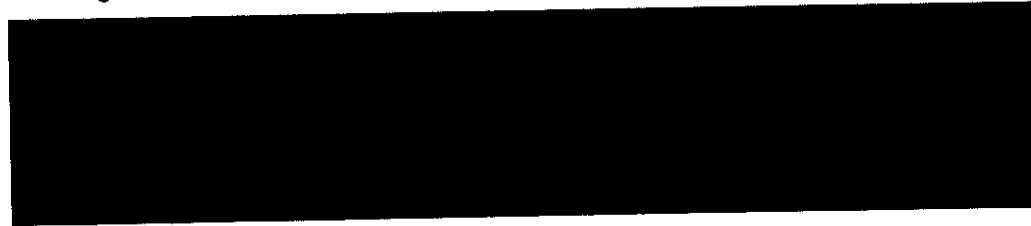
4.2.1



4.2.2

4.2.3 The Rent Increase report had been approved virtually by Board and was on the Agenda for ratification purposes.

4.2.4



4.2.5

Advance Website - link has been circulated to Directors and consideration of area based links would be taken forward in due course.

4.2.6

Finance Performance - Hirst report to future meeting. Valuation report deferred. Business Plans had been circulated but would be considered by

NCC prior to being brought formally to the Board. PV Panel report deferred. Allerburn report to be brought to a future meeting. [REDACTED]

- 4.2.7 H&S - It was noted that the glass screen issue was being addressed via the commissioning process for the new leisure centres, where we are asking for documented evidence of a robust testing process.
- 4.2.8 Legionella Policy - this was a revision rather than a new policy/procedure. A copy of the existing Legionella policy would be circulated to the Board.
- 4.2.9 Corporate Performance - Empire Court - although there were no bids received at auction, general market sales were ongoing. Following recent Government guidance on moving home during the Coronavirus crisis these would be put on hold for now.
- 4.2.10 [REDACTED] Administration amendments to the Performance Report were being addressed.
- 4.2.11 ICT Policy - amendments to formatting completed.
- 4.2.12 Project Approvals - CQ will be the focus of a separate meeting when this can be arranged.
- 4.2.13 Other Approvals – Annual Governance Statement now completed following the input of the Audit Committee, the final version was circulated to the Board prior to being shared with NCC. A virtual report was circulated regarding Unit 13 Jubilee Industrial Estate.
- 4.3 The minutes of the Special Board meeting held on the 11th March 2020 were **REVIEWED** and **AGREED**.
- 4.3.1 The Managing Director informed Board that the Director of Economic Growth & Investment was still in negotiations with the proposed purchaser and was hopeful that a deal in line with the requirements of the Board would be agreed.
- 4.4 The draft minutes of the Special Audit Committee meeting held on the 11th March 2020 were **REVIEWED**.
- 4.4.1 The Chair of the Audit Committee, John Woodman, stated that it was a constructive meeting and the amended Annual Governance Statement has been circulated to NCC and Board.
- 5.0 **Matters Arising**
- 5.1 There were no further matters arising.
- 6.0 **Ratification of Board Decisions Made Electronically**

- 6.1 The following electronic decisions were ratified by Board;
- Residential rent increases
 - Sale of the Leasehold of Unit 13, Jubilee Industrial Estate
- 6.2 The Board ratified the following;
- Appointment of Ian Swithenbank as the Labour representative to the Board as a replacement for Susan Dungworth.
- 6.3 J Woodman raised whether Ian Swithenbank could also replace Susan Dungworth on the Advance Northumberland Audit Committee.
- Board **APPROVED** the appointment of Ian Swithenbank to the Audit Committee subject to Ian Swithenbank's acceptance.
- 7.0 **Summary of use of Power of Attorney since last Board meeting**
- 7.1 The Chief Operating Officer introduced the summary paper which gave Board details of the use of Power of Attorney since the last Board meeting.
- 8.0 **Performance Updates**
- 8.1 **Covid 19 Coronavirus Update Report**
- 8.1.1 The Managing Director introduced the report to give Board an update on the Covid 19 Coronavirus plan of Advance Northumberland.
- 8.1.2 The Managing Director confirmed that Advance Northumberland had enacted its Coronavirus mitigation and resilience plan which was approved by Board on 28th February 2020. This plan commenced with messaging and health advice to employees, then moved to split site working, and then remote working as Government advice (rapidly) changed. This report included information on the steps taken, the ongoing resilience of Advance Northumberland's services, and the possible financial impact on Advance Northumberland as a business.
- It also included the strategy Advance Northumberland would adopt to the 'post-crisis' situation and highlighted the critical role the Company could play in rebuilding the economic landscape in Northumberland.
- 8.1.3 The Managing Director confirmed that the annual Advance Northumberland Business Plan would be issued today to the Board. The documents had been drafted on the basis of 'business usual', whilst attempting to capture the critical situation we are in as a result of the Coronavirus. As a result of Covid19, some aspects of the plan, including the financial and timescales would have already been rendered out of date.
- 8.1.4 The Managing Director stated that it was recognised that a widespread outbreak was likely to occur in the UK and that this will have a significant


impact on the Company as well as partners and the businesses we support and work with.

- 8.1.5 The Managing Director informed Board that the strategy in response to the Coronavirus crisis was currently is based on:
- Assisting the business community to access the help and support programmes made available by Government, and acting as a conduit for business intelligence
 - Securing our assets and minimising the financial impact of the crisis
 - Retaining key capacity and capability to enable post-crisis recovery
 - 'Business as usual' as far as is possible under the current restrictions – in particular ensuring that major economic regeneration projects are driven forward if possible
 - Identifying business opportunities which could help lead economic recovery after the crisis (such as identifying 'oven ready' investment opportunities).
- 8.1.6 The Managing Director confirmed that a detailed Work Plan had been prepared which mapped all of Advance Northumberland's key activity lines and showed the current status and importance of each of these. This was a 'live document' and was being updated as the crisis progressed and Government guidance changed. This document had been shared with NCC at the recent shareholder meeting.
- 8.1.7 The Head of Business Operations was invited to explain the Company's detailed Work Plan which set out how the company was continuing to function during this crisis period compared to the status quo, detailing all key services and tasks, including where work was a statutory requirement, with accompanying risk assessments. The Work Plan also tracked the workforce and its status on a daily basis and would be used to identify where staff could be redeployed to services under pressure. The Work Plan would be invaluable as a template should we ever face another major crisis.
- 8.1.8 The Managing Director stated that we had received multiple requests for rent holidays from commercial tenants. Our strategy so far was to point these tenants to the Business Support team; Advance Northumberland as a Landlord was unable to provide the financial assistance sought. However, we recognised that if the Government or NCC wished to consider rent relief as a tool for short term business support then we stood ready to assist.
- 8.1.9 The Managing Director confirmed that Business Support activity had been redirected from the current programmes to business support and recovery as a key part of the NCC Business Hub. This would become clearer through the Business Hub's work. It was highlighted that we would need

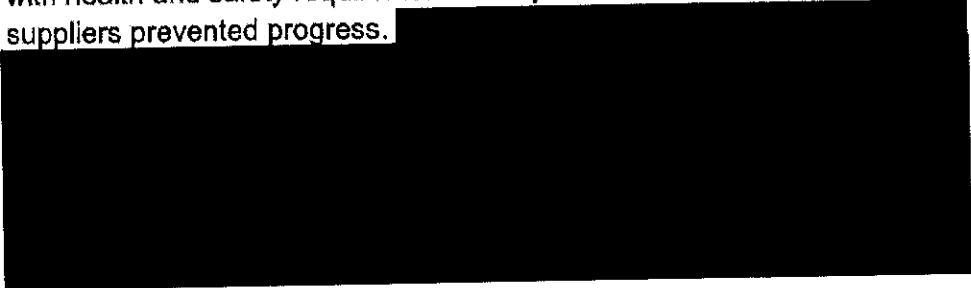
Shareholder support in seeking authorisation from the LEP (and MHCLG) for this change.

- 8.1.10 The Managing Director stated that we were currently assessing the impact of the cessation of major contracts [REDACTED]. There were likely to be significant 'force majeure' claims which would need to be covered by the project funders. We were currently unable to put a figure on this, and our approach and legal work was also focussed on reducing the extent of any such claims down the line.
- [REDACTED]
- 8.1.11 The Managing Director confirmed that we would need to re-evaluate the viability of our regeneration and development projects in the light of market conditions when the current crisis had passed. However, we were pleased to report an ongoing positive dialogue with the potential private sector investors, and notwithstanding the short term uncertainty, we were focussing on being ready to press on when the crisis was over.
- 8.1.12 [REDACTED]
- 8.1.13 The Managing Director went on to confirm that, as part of our planning, we were attempting to identify businesses (particularly local businesses) which formed a critical part of our supply chain. This was already well underway with Ascent Homes, which uses local subcontractors and suppliers where possible. We would like to work with NCC to determine how these businesses (which will be vital to the recovery effort) could be protected.
- 8.1.14 The Managing Director stated that we were seeing the strengths of the Advance business model – our connections with business through our development activities and commercial portfolio were helping to inform the Business Support team's response and data gathering. Similarly we were able to easily signpost these businesses to emerging sources of assistance.
- 8.1.15 The Managing Director informed Board that there would be a significant financial impact from the crisis on Advance. The majority of our income and cash flow came from rents received on our commercial and residential portfolios. We do not yet have any hard data to indicate the levels of default we could expect, but we expect that there would be a significant default level, particularly amongst commercial tenants. We have prepared some cash flow forecasts under a range of broad scenarios. These would be kept up to date to reflect actual rent receipt levels and other data as it is received.

Given the requests for rent holidays already received, and the Government's moratorium on evictions, there was a high risk that the default levels would be well beyond the capacity of Advance to absorb the loss of cash flow.

- 8.1.16 The Managing Director stated that it was anticipated that there would be a significant hit to the value of our commercial portfolio in the short term, with a risk that this reduction may last into the medium term depending on wider economic recovery. It was also believed that there would be a risk to the value of the residential portfolio, however this was likely to be a much smaller reduction. However, the substantial uncertainty around valuations currently was emphasised.
- 8.1.17 The Managing Director confirmed that, as could be seen from the Work Plan, we were monitoring carefully our ongoing asset management services. We were prioritising those with a statutory requirement (e.g. CP12s) and also factoring in what could be delivered within the current working guidelines issued by the Government.
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- The immediate financial risk to Advance would arise if tenants couldn't or wouldn't pay. He believes the commercial portfolio was the segment of the business at highest risk. He also highlighted that the rental income supported Advance's other activities, such as Business Support which were currently critical to economic resilience in Northumberland.
- 8.1.18 The Managing Director stated that Advance Northumberland were currently pulling together intelligence from the business community to help undertake detailed analysis on the sectors and business types which were vulnerable and maybe not benefiting from support measures announced to date. We had agreed to provide a regular, timely update to the NCC business continuity hub. We believe our detailed knowledge of many of the businesses concerned would assist not only in identifying areas for additional support, but also in any 'triage' process of where assistance should be targeted.
- 8.1.19 The Managing Director confirmed that Advance Northumberland's role to date had been to support businesses through the business support team and signpost to Government assistance measures. This would continue. In our role as landlord, however, we had not been in a position to agree rent holidays or lease restructuring (other than a case by case basis where there was a clear rationale to do so commercially). Advance Northumberland would need financial support (NCC or Government) if rent relief were to be used as a tool for business support.
- 8.1.20 The Managing Director stated that the approach to the construction sector was subject to ongoing review as Government advice emerged. It was

believed that the construction sector had a critical role to play in post-crisis economic regeneration so it was believed that protecting the capability and capacity in Northumberland should be a priority. The Board was informed that with the exception of the Ascent Homes Wooler project (where groundworks were being undertaken by the land owner) all construction work on development sites carried out by Advance had ceased; compliance with health and safety requirements was paramount and the closure of key suppliers prevented progress.



- 8.1.21 The Managing Director confirmed that Government support packages were being monitored closely and we would seek to maximise any direct support we were eligible to receive.

Currently, the areas of support most likely to be accessible by Advance Northumberland were:

- Support for sick pay due to Covid19 (currently we do not have staff unable to work because of illness or self-quarantine)
- Support for furloughed workers. We currently have a number of site staff who cannot work. We are looking at internal redeployment and will offer staff to NCC to assist with emergency programmes (such as deliveries). We have undertaken a skills audit to assist with this. But if such staff cannot be usefully utilised, we will seek to claim the Government salary support.

- 8.1.22 A query was raised on whether we were tracking who were vulnerable or at high risk in our communities. The NCC Executive Director of Regeneration, Commercial & Economy updated the Board on the huge effort going on to access data bases to collate as much information as possible with six key hubs across Northumberland open seven days a week. This was a combined effort between NCC and Advance Northumberland and linking in to local volunteer groups. Board were invited to visit the Northumberland Communities Together website for information.

- 8.1.23 The Managing Director stated that the strategy for our major developments was:

- Protection of site workers and members of the public
- Minimise any costs (e.g. due to closure of sites)
- Increase readiness to drive forward when the crisis is over

Key risks to major projects:

- Health and safety risks if normal site arrangements disrupted due to Covid-19
- Possibly significant force majeure claims and other costs associated with delays
- Risk of changes to end user demand [REDACTED]
- Uncertainty over housing market demand
- Ability to complete works in line with funding commitments [REDACTED]
- Ability to secure end user commitment [REDACTED]

8.1.24

The Managing Director confirmed that, looking forwards, the major projects were seen as a key route to promote economic recovery in the County. To enable this to be maximised, we would like to discuss with NCC the ability to have:

- A fast-tracked planning process
- A fast-tracked approach to project approvals (PIDs)
- A fact tracked approach to project finance decisions

8.1.25

The Managing Director went on to confirm that the finance risk to Advance Northumberland came from 2 main sources:

- Increased rent default/arrears (rent was our primary income stream)
- Costs (especially force majeure claims) arising from project delays

We had been approached by many commercial tenants seeking rent holidays, and given the mass closure of business activity, it appeared likely that the rent defaults would be very high.

Our modelling to date had therefore relied on broad assumptions on default levels. Going forward, we would be using a more complex sectorally-ied risk analysis of tenants to give a higher weighting to tenants in at risk sectors. Actual payment data would also provide clear insights.

8.1.26

The Managing Director stated that a number of graphs were included in the report detailing scenarios for the company in the event that income levels dropped due to non payment of rent. These set out a cashflow position with and without mitigation. It was expected that a number of Commercial tenants would submit requests for rental holidays as was happening elsewhere. This situation was expected to continue particularly with the Government's advice on taking enforcement action, which could have a significant impact on company finances. It was noted that it was difficult to estimate the actual impact of the crisis on the Companies finances, but this was being measured at key dates for receipt of income.

8.1.27

The Managing Director clarified that the scenarios assumed no changes in the cost base, no possible compensation forthcoming and factored in no additional costs arising from the Covid 19 pandemic.

8.1.28 It was noted that a number of this quarter's payments had come in already although this would need to be tightly monitored going forward. The Chief Finance Officer would undertake a risk analysis on which tenants were likely to default on future payments where the numbers were material either in scale or volume. This risk analysis would be built into the Company's cash flow forecasting.

8.1.29 The NCC Executive Director of Regeneration, Commercial & Economy commented that she appreciated the modelling of the scenario graphs and NCC would work with the Advance Finance team from an NCC perspective to track through how Advance Northumberland were doing on a weekly basis.

8.1.30 The Managing Director confirmed that Board would be provided with a more concrete position in the next 2 - 3 weeks, with a special meeting set up to deal with the issues. It was noted that the requests would need to be dealt with on a case by case basis, looking after the long term strategic interests of the company. It was queried as to how decisions were being made on a case by case basis. Board was informed that they would be included in any decisions to be made with significant financial impacts though the position being taken was that we expect all businesses to meet rent obligations.

8.1.31

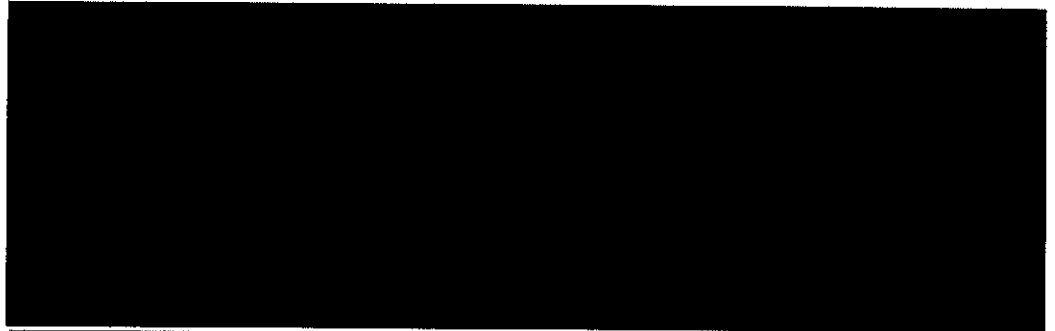
The cash flow had been forecast on a group basis, using the following scenarios:

- Reduction in revenue by 25%
- Reduction in revenue by 50%
- Reduction in revenue by 75%

The outcome of this modelling would be circulated at the Shareholder meeting but it was clear that even the most optimistic of these scenarios would have a major impact on the Company's finances and that Advance was likely to require financial assistance.

It was clarified that the scenarios assumed no changes in the cost base, no possible compensation forthcoming and factored in no additional costs, such as force majeure claims, arising from the Covid 19 pandemic.

8.1.32



It was highlighted that this analysis reflected the 'business as usual' cash flow forecast. It did not include any additional costs that would arise because of the crisis, such as force majeure claims. These costs would need to be met by project funders. More detailed cash flow modelling would take place and be updated on a daily basis to reflect ongoing tenant risk assessments and data from actual rent receipts. Support proposals would be worked up and modelled when a clearer idea of default rates was available.

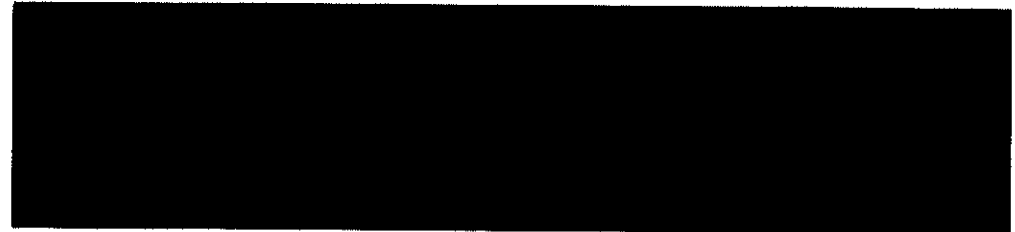
8.1.33

Board were asked to note that our agent was looking into implications on a national level so that these could be compared with the local level provincial retailers.

8.1.34

Board queried about lobbying central government regarding help for landlords. The Board was informed that lobbying was ongoing on a national level through REVO and the BRC. Naturally, as many pension funds have their investments in shopping centres, institutional investors would be applying considerable pressure on the Government.

8.1.35



8.1.36

The Managing Director stated that, given our relationship with businesses and our ability to deliver major projects, Advance Northumberland had a big role to play in the post-crisis rebuilding of the Northumberland economy. Our current focus was around business support and readying our current projects for ongoing delivery post-crisis.

The 'new world' may look very different and there was a chance some projects may need to be reshaped, or given financial assistance/guarantees to progress.

It was likely there would be a slow return to significant private sector investment. Therefore Advance Northumberland may have to fill the void

and consider delivery at a higher risk profile than we do currently

The capability of the teams in Advance Northumberland would enable NCC to de-risk the investment into the County that would be necessary to stimulate the economy.

- 8.1.37 The Managing Director stated that, as the focus moved away from the immediate Covid-19 reactionary steps, we would also identify opportunities for projects to be swiftly worked up (in agreement with NCC) so that any national funding streams could be quickly taken advantage of to fund 'oven ready' projects. Such projects could be to support key sectors (e.g. tourism), town regeneration, housing needs, or creation of speculative employment space.
- 8.1.38 There was a general understanding that the Advance Northumberland Business Plan, which was written to take account of NCC's feedback on the initial draft, would now need to be revisited with a consensus on the focus of Advance Northumberland's work to meet the bold aspirations for recovery. This was likely to involve a new way of working in the future.
- 8.1.39 The Managing Director went on to state that, so far, the planning and implementation work undertaken by Advance Northumberland had paid dividends in our resilience to operate in the crisis (albeit within the confines of the Government guidance on acceptable continued activity).
- The Business Support team had been at the forefront of engaging with the business community across the County and this had been augmented by our relationships with tenants and suppliers. These relationships would be important as we plan to move from crisis reaction to delivery of the 'new normal' and attempt to rebuild the economy.
- 8.1.40 The Managing Director confirmed that we intend to identify potential projects for swift investment and delivery that might make a significant contribution to the economy and business confidence in the post-crisis Northumberland. However, as a Company funded by rent receipts, there was an immediate risk to viability. We were monitoring this closely as there was great uncertainty about the level of rent arrears and default that would arise. It was very likely that financial support into the medium term would be needed to maintain the capacity in Advance Northumberland and protect our projects and assets.
- 8.1.41 The NCC Executive Director of Regeneration, Commercial & Economy updated the Board on how Advance were working with NCC on the overall recovery plan, Business Support feeding in intelligence on issues arising and Investment planning on where we could hit the ground running following the crisis.

The Managing Director stated that he would share the Recovery Plan with the Board as this developed. The Board noted the significant effort that had gone into business continuity and resilience from the Advance Northumberland team and asked that their thanks be passed on to the Advance Northumberland staff.

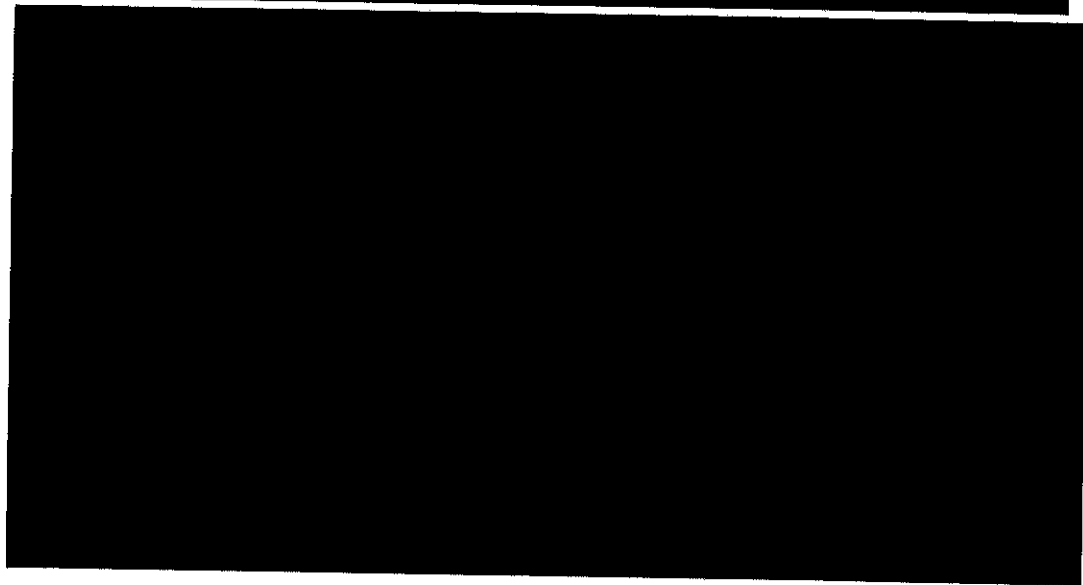
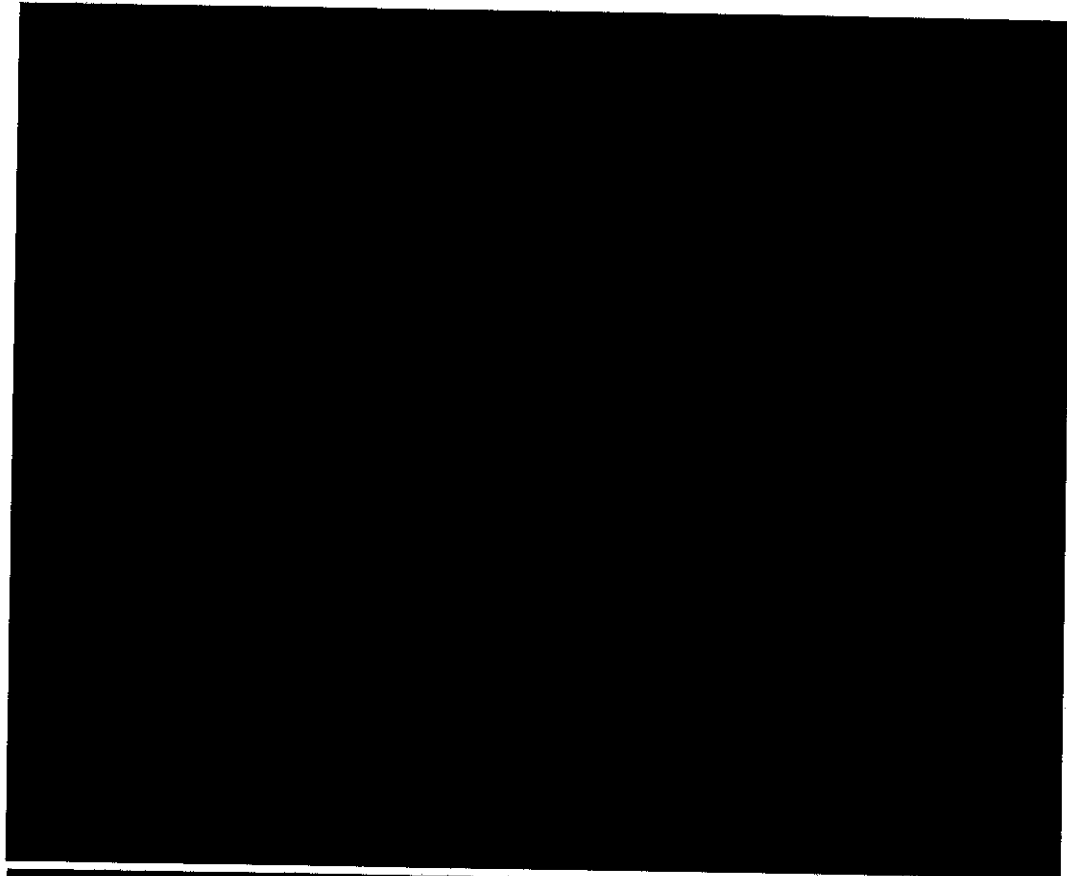
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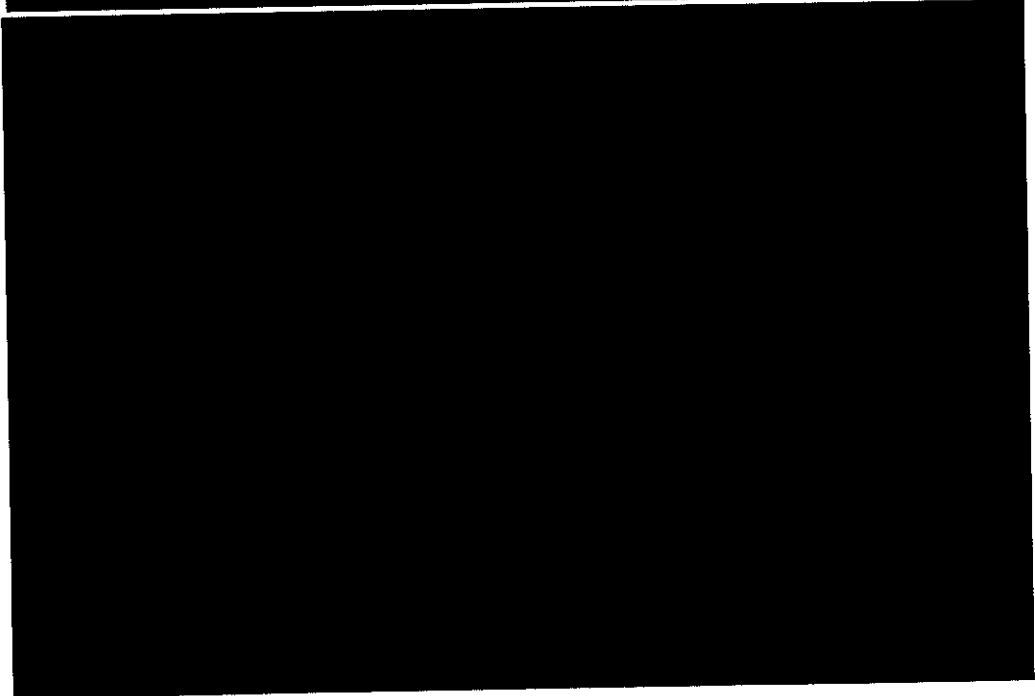
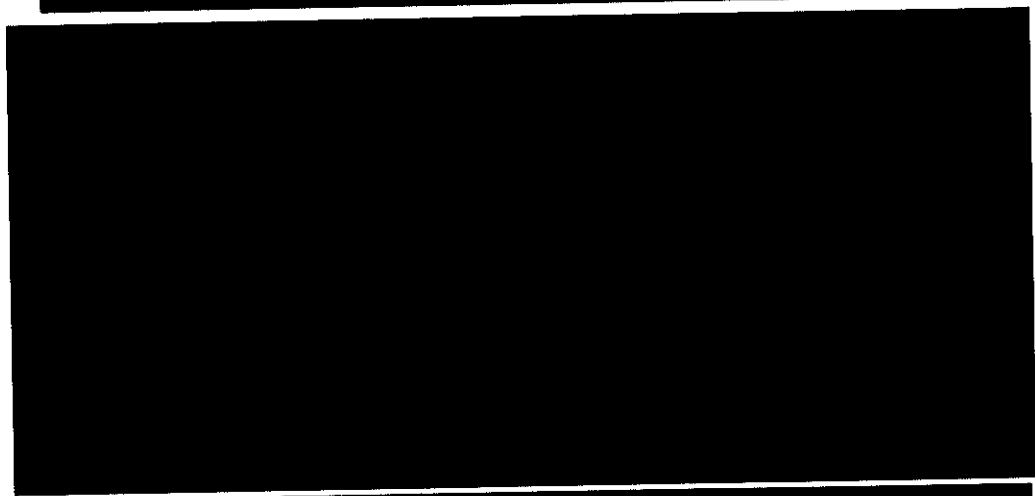
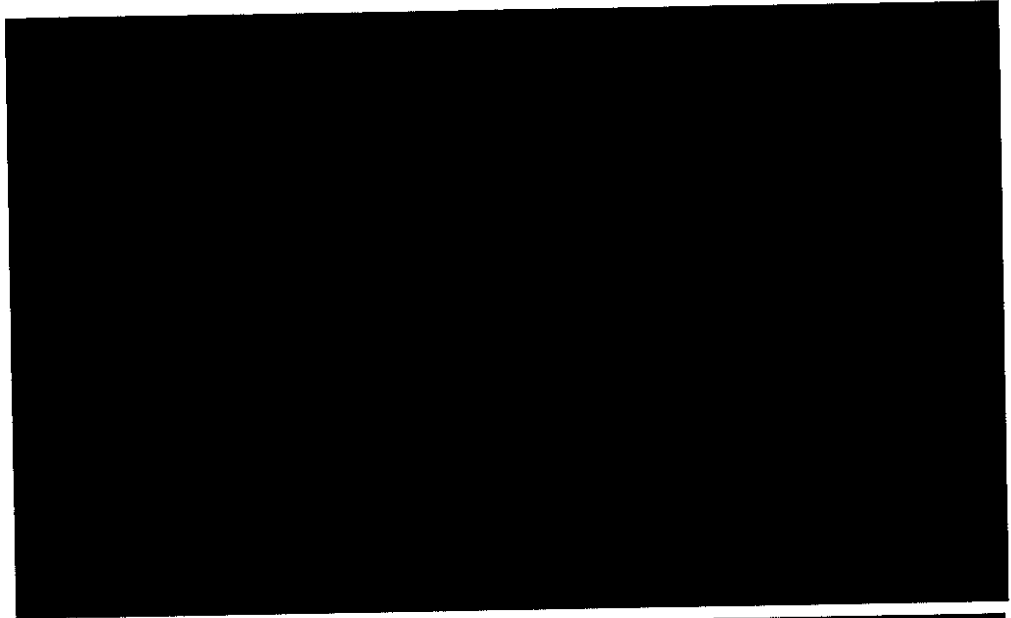
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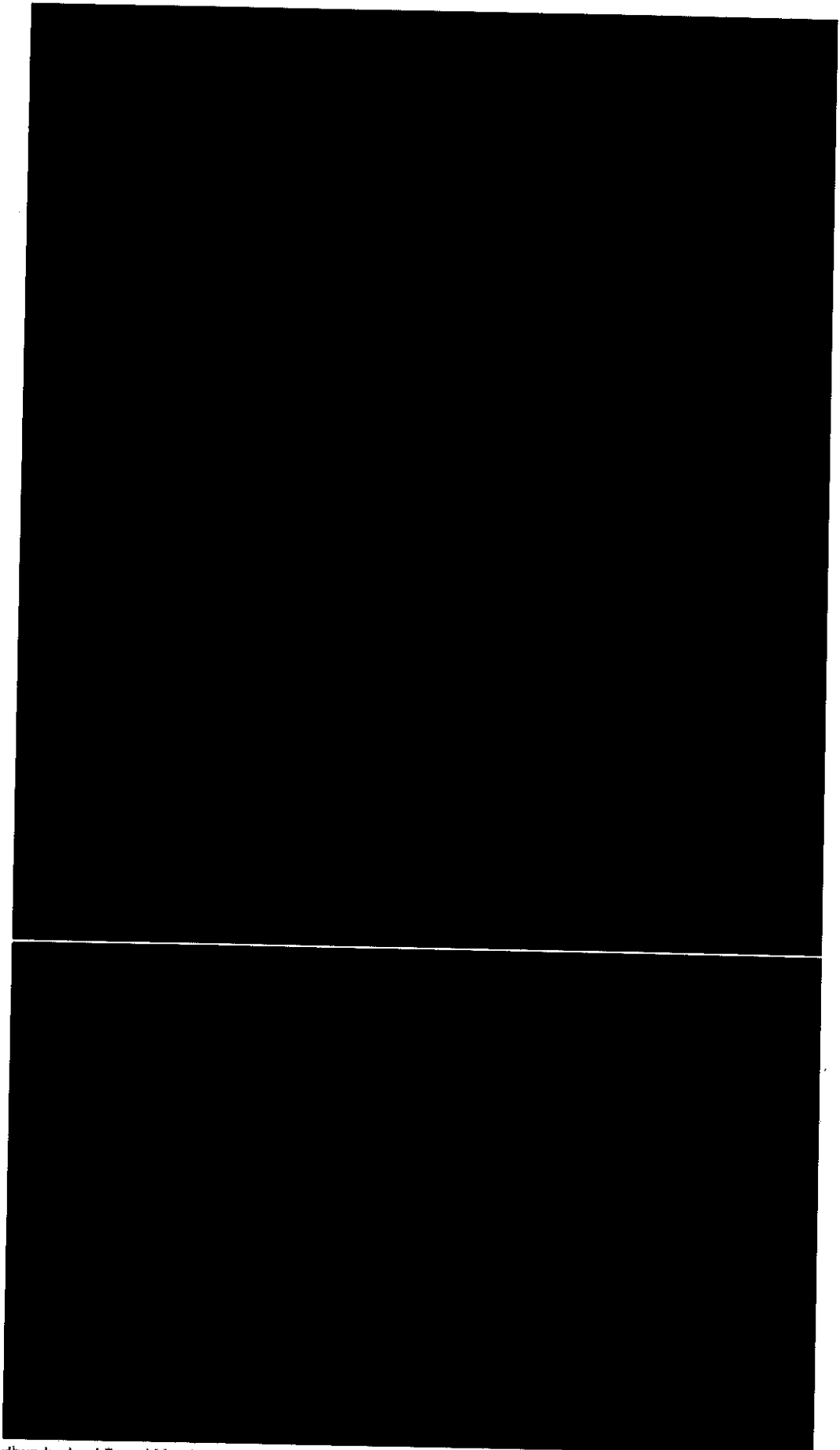
- **NOTED** the report.

8.2

8.2.1







8.2.2

8.2.3

8.2.4

8.2.5

8.2.6

M Knowles left the meeting at 14:56

9.0

Policies

9.1

Petty Cash & Credit Card Policy

9.1.2

The Chief Finance Officer introduced the policy explaining that this was a new policy for the Board to consider which strengthened the way the Company dealt with petty cash and credit card payments. It was expected that the processes introduced through the Petty Cash and Credit Card Policy would meet the requirements of the Audit Report.

This policy informed staff when it was appropriate to pay for goods and services via petty cash or Company credit card and the procedures to be followed when processing petty cash or credit card payments.

9.1.3

The Chief Finance Officer confirmed that Petty Cash should be used for purchases only. Any income (i.e. cash received by the Company such as from sales or rents) was not 'petty cash' and must be dealt with separately through the standard banking procedure. The use of petty cash should be kept to a minimum. In general, the use of petty cash was the most practical payment method in situations where the amount involved is small (maximum £20) and either:

- the expenditure is incidental or;
- the supplier insists on payment by cash.

9.1.4

The Chief Finance Officer went on to confirm that Company Credit Cards should only be used for purchases where:

- The supplier required payment online or via telephone such as;
 - Train or airline tickets
 - Hotels
 - Vehicle Tax
 - Utility Meter top up
 - Professional subscriptions; and
- We do not have a credit account with the supplier; and
- The cost is not greater than £2,000.

9.1.5

The Chief Finance Officer confirmed that prior authorisation, in line with the Financial Delegated Authority, was required before requesting the use of either Petty Cash or the Credit Card. Evidence of this authorisation must be provided to the finance team prior to the transaction being completed. Retrospective authorisation was not acceptable.



- 9.1.6 A question was raised regarding why we still needed company credit cards and it was explained that a number of online companies would only accept online payments and, in addition, Advance Northumberland Homes needed a larger petty cash allocation due to the need to purchase stock in cash.

The Board:

- 9.1.7
- **APPROVED** the Petty Cash & Credit Card Policy subject to the following;
 - Removal of the European flag logo.

9.2 **Ethical Standards of Business Conduct**

- 9.2.1 The Chief Operating Officer introduced the report the purpose of which was to assist all in maintaining ethical and national standards or requirements in the conduct of Directors and Employees of the Advance Northumberland Group of Companies.

- 9.2.2 The Chief Operating Officer informed Board that previously there had been three separate policies which covered similar themes. These had now been amalgamated into a single point of reference with no substantive change. Track changes within the document were presented to demonstrate this.

- 9.2.3 The Chief Operating Officer stated that the policy provided guidance to Directors and Employees on the standards of business conduct in relation to:
1. The Offering and Accepting of Gifts and Hospitality
 2. Commercial Sponsorship
 3. Codes of Conduct
 4. Conflicts of Interest
 5. Declaration by Directors and Employees

- 9.2.4 The Chief Operating Officer confirmed that the policy gave clarity on the required standard of business conduct. As the Company was wholly owned by Northumberland County Council the Principles of Public Life (The Nolan Principles) would apply.

The Board:

- 9.2.5
- **APPROVED** the Ethical Standards of Business Conduct Policy.

Part 2 - Confidential

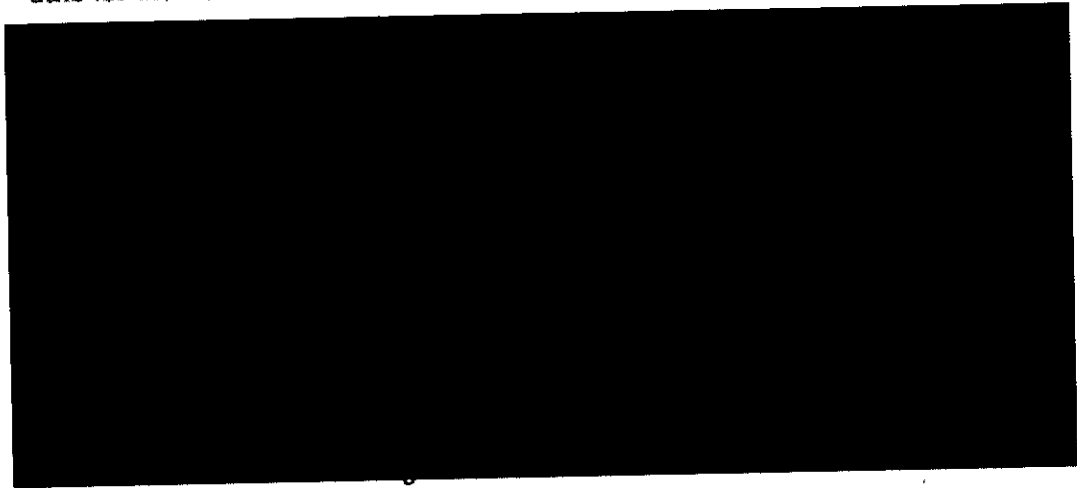
12.6 **SLA Review**

12.6.1 The Managing Director confirmed that this item had been deferred.

13.0 **AOB**

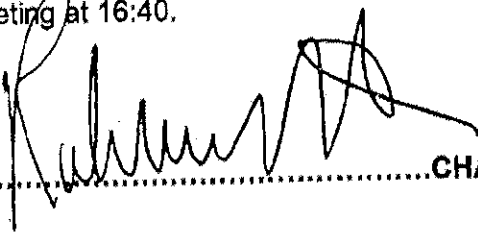
13.1 The Managing Director confirmed that he would circulate options for the date for the next Board meeting.

13.2


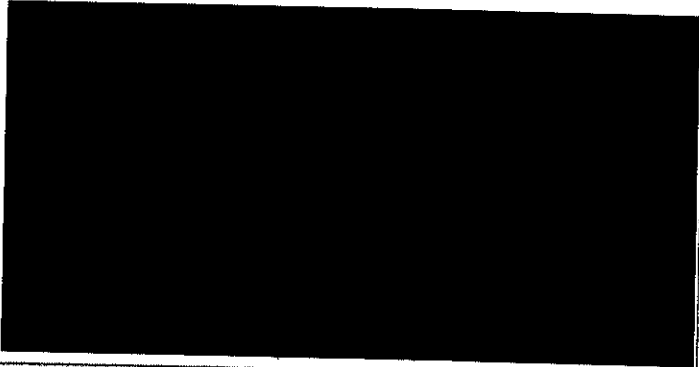



13.3

13.4 The Chairman thanked the Board for their attendance and closed the meeting at 16:40.


.....CHAIRMAN

SUMMARY OF ACTIONS	
Ratification of Board Decisions made Electronically	<ul style="list-style-type: none"> Ian Swithenbank to be formally approached to become a member of the Audit Committee.
Power of Attorney	<ul style="list-style-type: none"> Power of Attorney Schedule to be circulated to Board.
COVID 19 Coronavirus Update Report	<ul style="list-style-type: none"> Annual Advance Northumberland Business Plan to be circulated to Board. Workforce Plan to be circulated to Board. Planning application revision [REDACTED] – Managing Director to follow up with Director of Economic Growth & Investments and the Planning Team. Board to be included in any requests/feedback to Businesses with significant financial impact.

	<ul style="list-style-type: none"> • Recovery Plan to be circulated to Board as it is developed.
Finance Performance Update	<ul style="list-style-type: none"> • 
Petty Cash & Credit Card Policy	<ul style="list-style-type: none"> • Removal of the European flag logo.
Travel & Subsistence Policy	<ul style="list-style-type: none"> • Addition of reference to disciplinary action following allocation of a speeding ticket.
Project Approvals	<ul style="list-style-type: none"> • CQ Report to go to a future meeting.
Other Approvals Arrears Write Offs	<ul style="list-style-type: none"> • 
AOB	<ul style="list-style-type: none"> • Managing Director to circulate options for the timing of the next Board meeting. •  • Recovery Plan to be circulated to Board as it is updated.

