

North East Local Enterprise Partnership Investment Board

7 March 2024

(2.00 pm - 4.00 pm)

Meeting held via Microsoft Teams

Chair

Helen Golightly

Members

Cllr Carl Johnson (from 3pm)

Colin Hewitt

Emily Cox

Specialist Advisers

Jason Hobbs

LEP Officers

Paul Woods

Ray Browning

Matt Ebbatson

NTCA

Katherine Laing

Legal Officer

Craig Winter

Minutes

Rosalyn Patterson

Also in attendance (during presentation for items 5a and 5c respectively);

Matt Boyle – Chair of the Board of Trustees, Common Room for the Great North

Chris Dixon – FW Capital

1 WELCOME FROM THE CHAIR AND APOLOGIES FOR ABSENCE

Helen Golightly chaired this meeting of the North East LEP Investment Board and advised that this was the last meeting of the Investment Board.

The Chair confirmed that the meeting was not quorate at this point, however, additional attendees were expected.

Apologies had been received from Councillor Dixon, Ian Richards and Mark Thompson.

2 **DECLARATIONS OF INTEREST**

Emily Cox declared a broad declaration in relation to projects Lloyds Bank may be funding and noted that Halifax was mentioned in the papers for the meeting and was part of Lloyds.

3 **MINUTES OF THE INVESTMENT BOARD HELD ON 16 NOVEMBER 2023**

The meeting was inquorate at this point and therefore those present agreed the minutes were a correct record.

4 **MATTERS ARISING**

C Hewitt wished to clarify that he had not been included in any decision regarding the Common Room at Ward Hadaway and was therefore able to take part in discussion on that item during the meeting.

5 **PROJECTS FOR DECISION**

(a) **NEIF Programme - The Common Room**

This report was strictly confidential as it contained commercial information relating to the financial or business affairs of a particular person or organisation and was not for wider circulation.

P Woods introduced this part of the report, noting that at December's meeting it was agreed that P Woods would observe the Common Room for the Great North (CRGN) Board meetings. P Woods confirmed that he had attended the meetings and expressed the concerns raised by the Investment Board and also had the opportunity to speak to NLHF colleagues around the opportunity for them to re-finance the LEP loan so that NHLF could become the full primary lender, however this was not agreed to.

M Boyle provided a presentation on the Common Room, highlighting the programme of engagement and outreach undertaken so far and the four pillars around; careers, climate and innovation, industrial engagement and heritage and place.

As the meeting was not quorate during discussion on this item, those members present agreed that the following option be referred to the LEP Board for decision:

Members present agreed that the following proposal be referred to the LEP Board:

That repayments are deferred until Summer 2025:

- i. With the monitoring of progress against key delivery plan milestones in 2024/25.***
- ii. Further LEP (and successor body) legal advice being obtained on options available to pursue the loan repayment;***
- iii. Further negotiations with primary investors in the building to achieve***

an acceptable outcome for both the LEP and other public funding stakeholders in the event that a sustainable outcome cannot be achieved.

- iv. Written opinion be provided to confirm that the proposed action would be the best way in which to protect public money.*

(b) NEIF Programme - CPIF Merchant Park Incentive request

Councillor Johnson joined the meeting at this point, therefore the remainder of the meeting was quorate.

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M Ebbatson introduced the report, highlighting that Merchant Park was the first project requesting Incentive Funding since the fund went live and was the first through due diligence and legal diligence. The LEP Investment Board was requested to sign off the incentive funding as the developer requested to start on site at the end of the first quarter.

Chris Dixon, FW Capital, joined the meeting and confirmed that the incentive would be used for infrastructure on site. It was noted that this would be the first building of three to be developed, planning permission for which was granted in February 2024 with development to start on site by July. It was confirmed that due diligence process had started and Ward Hadaway were leading on legal diligence, with incentive funding being sought by the end of April.

RESOLVED – That the Investment Board members:

- i. Noted the updates contained in the report and the verbal update following the CPIF Advisory Board meeting on 6 March in relation to the incentive request on the Merchant Park project.**
- ii. Agreed final approval of the incentive package for Merchant Park to be delegated to LEP Chief Executive by 6 May 2024 upon satisfactory completion of financial and legal due diligence.**

(c) EZ Programme - Ashwood Business Park Phase 2

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M Ebbatson introduced the report highlighting the updated application for the Ashwood Enterprise Zone (EZ) business case of an additional £2.5m from EZ towards a total investment of £6.1m. It was noted that the additional investment was for additional infrastructure and to meet inflationary costs.

A full appraisal had been carried out by Sanderson Weatherall which gave a Green rating overall.

RESOLVED – That the Investment Board members:

- i. **Approved the proposed improvement works to Ashwood Business Park Enterprise Zone and the request for an additional funding contribution of £2,537,977 towards an overall agreed allocation of EZ loan funds of £6,018,254.**
- ii. **Supported the additional EZ loan finance investment into the project, subject to:**
 1. **Subsidy Control position to be assessed by suitably qualified lawyer.**
 2. **As a prerequisite to any funding agreement the applicant must demonstrate that funding gap for the A189 roundabout improvements outlined in section 5.3 of the report can be fully mitigated.**
 3. **Business case to be revised to reflect correct project cost and EZ loan ask of £6,018,254 EZ loan and £6,156,004 total project cost.**
 4. **SMART objectives to be amended to reflect 44,241 sqm of floorspace and 1,105 FTE equivalent permanent jobs. Timescales to be added to descriptions to match agreed economic model profiles in revised economic toolkit.**
 5. **Economic Case to be amended in business case to reflect agreed economic model i.e. BCR 3.6 and NET additional cumulative GVA by 2035, discounted at £21,836,473.**
 6. **Applicant to agree methodology for project evaluation which should be linked to the revised investment objectives for the scheme and the agreed outputs. It should also extend beyond the end date of project works at agreed times to assess job creation and investment on the site following the works.**
 7. **Business Case Annexe B (Outputs) to be amended to reflect agreed outputs with final agreed economic toolkit.**
 8. **Amended business case to be signed off and submitted to NELEP.**

6 PROGRAMME UPDATES

- (a) **North East Investment Fund (NEIF)**

This report was strictly confidential as it contained commercial information relating to the financial or business affairs of a particular person or organisation and was not for wider circulation.

M Ebbatson introduced the report, highlighting the work that had been undertaken regarding the assessment of options for the Tyne Pressure Testing project. It was noted that BEL Valves and the University of Newcastle were working on taking the asset into the university. Suggested terms were heavily weighted against the LEP and additional advice regarding the market options continued to be explored in addition to the option of it going to the university.

RESOLVED – That the Investment Board members supported the following actions to refine and identify appropriate way forward for the Tyne Pressure Testing Project:

- i. Additional Legal Advice to be attained by LEP/NTCA on extent of options still available to recover outstanding loan.**
- ii. Negotiations to continue with TPT JV Partners (BEL Valves and University of Newcastle) on development of the option to transfer asset over to University. Development of this option will involve:**
 - a. Consideration of suitable terms that provide for repayment in part of the outstanding loan**
 - b. Development of necessary Business Plan for review and assessment**
 - c. Provision of satisfactory detailed cashflow for new facility for assessment**
 - d. Subsidy Control Advice**

This will inform a suitable report on applicability of this option for future disposal of TPT and continued use of the asset within the North East.

- iii. To allow this work to be concluded marginal quarterly payment of £13,626 will continue from TPT Ltd until the matter is resolved.**

(b) Getting Building Fund (GBF)

This report was strictly confidential as it contained commercial information relating to the financial or business affairs of a particular person or organisation and was not for wider circulation.

R Browning introduced the report highlighting that there had been an underspend on one project. In terms of job numbers this stood at 148 in Q3 which was above target.

It was confirmed that the contractor for Bedlington Town Centre was in financial difficulty and therefore it was now looking unlikely that the project would complete on programme.

RESOLVED – That the Investment Board members noted:

- i. The latest budget position with all GBF now spent and mitigating action identified in the event of a potential small project underspend requiring grant clawback.**
- ii. The status and progress on each project as summarised in Appendix 2 of the report and recent images showing completed schemes / latest stage of construction.**
- iii. That it is now expected that thirteen projects will continue to be subject to monitoring under the new NEMCA.**

(c) Local Growth Fund (LGF)

This report was strictly confidential as it contained commercial information relating to the financial or business affairs of a particular person or organisation and was not for wider circulation.

R Browning introduced the report highlight that the aim to fully spend was on track. Delegated Decisions had been made to move approved funds between existing Newcastle City Council projects in development and to switch matched funded to help achieve programme spend requirements. It was proposed that the uncommitted balance be allocated to Jade Business Park phase 1 project to displace EZ funding and ensure the LGF budget was fully spent.

It was confirmed that monitoring had ended on the Gateshead Quays project as it would not be in a position to deliver outputs within the life of the programme monitoring period.

RESOLVED - That the Investment Board members:

- i. Noted that a process has commenced to review the Invest North East England (inward investment) scheme in consultation with local authority Economic Directors', the North East LEP and NTCA with an aim to present proposals ahead of day 1 of NEMCA for a revised and integrated regional inward investment fund.**
- ii. Agreed, after meeting any programme management costs in the period 1/4/24 to 5/5/24, to the uncommitted balance on the LGF budget be applied to the ongoing Jade Business Park phase 1 project, displacing EZ funding in 2023/24, and enabling remaining LGF budget to be spent in 2023/24. This amount will be less than £250,000.**
- iii. Noted the position on all residual projects set out in Appendix 1, with 8 projects achieving full completion since the last meeting, with 23 projects still subject to ongoing monitoring of which around 8 are expected to be fully completed prior to the transfer to NEMCA.**

(d) **Enterprise Zone (EZ)**

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P Wood introduced the report highlighting the £9m of Capital Expenditure planned and the increase in Business Rates estimated at £8.5m.

It was noted that more needed to be done in terms of EZ sites and ensuring more occupation to generate jobs and businesses. It was suggested that what was happening in other parts of the country around incentives should be explored further.

RESOLVED – That the Investment Board members noted the information set out in the report and considered what more could be done with the Combined Authority to maximise the potential of the current Enterprise Zones alongside the new Investment Zones.