

Corporate Strategy 2012–2015

Arch

The Northumberland
Development Company



Corporate Strategy 2012–2015

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Arch is The Northumberland Development Company. It is a private sector business dedicated to economic development, regeneration and housing market renewal throughout the county. Arch has been set up by Northumberland County Council as an arms-length company, designed to bring a new, more enterprising and business-like approach to development and regeneration in the county.¹

¹ Arch is a group of companies. Arch Corporate Holdings Ltd has oversight of group operations, corporate and financial matters. Specific functions are carried out by Arch Housing Ltd, Arch Commercial Enterprises Ltd, Arch Development Projects Ltd and Arch Financial Services Ltd (see Annex A).

1.2

Arch is a real estate business which will develop, acquire, rationalise, upgrade and manage a portfolio of residential and commercial property. Capitalising on these assets, our mission is to:

- help create prosperous, attractive, sustainable communities throughout Northumberland
- promote enterprise and support business growth
- attract private sector investment in business and property, and
- support the regeneration of struggling places and disadvantaged neighbourhoods.

1.3

The company will use its asset base—which has a value of around £50 million—to secure funding to build and buy quality homes for rent, and for economic development. Arch will also act on behalf of the County Council and other partners, delivering regeneration schemes and attracting inward investment to Northumberland. Over the next three years we plan to invest at least £52.8 million in housing, commercial development, regeneration and other activities in Northumberland.

1.4

This document sets out Arch's corporate strategy for the period 2012 to 2015. The launch of Northumberland's first dedicated development company is an important event. It reflects our conviction that, even in a challenging economic environment, Northumberland is a place of huge untapped potential. We have a core of high performance international companies in a number of key sectors, as well as ambitious small firms and knowledge-based start-up businesses. We can offer competitive business locations, including the advantages of an Enterprise Zone, and we have a high quality, adaptable workforce. Combined with an exceptional quality of life and proximity to the resources of the Tyne and Wear conurbation, Northumberland offers an attractive package for businesses and investors.

1.5

In the following pages we show how Arch will use its resources and an innovative, enterprising approach to deliver new homes, attract investment and drive regeneration across Northumberland. The business model, which is described in Annex A, will develop and mature over the three-year plan period, at the end of which we will have established Arch as a key player and a valued partner in the revitalisation of Northumberland's economy and communities.

1.6

The corporate strategy is in five sections:

- **Section 2** describes the strategic challenges facing Northumberland
- **Section 3** sets out Arch's mission, objectives and guiding principles
- **Section 4** identifies our priorities for action
- **Section 5** sets out our approach to performance management
- **Annex A** describes the Arch business model in more detail
- **Annex B** presents some key data on the Northumberland economy.



Geography: the three zones

2.1

Northumberland is a large county with a land area of 1,960 square miles and a population of 312,000.² Nearly half the county's population is concentrated in the former coalfield area of south-east Northumberland. With the exception of Berwick-upon-Tweed, on the Scottish border, most of the other principal settlements lie in an expanding commuter zone north and west of the Newcastle conurbation.

² Office for National Statistics (ONS) mid-year estimate, 2010

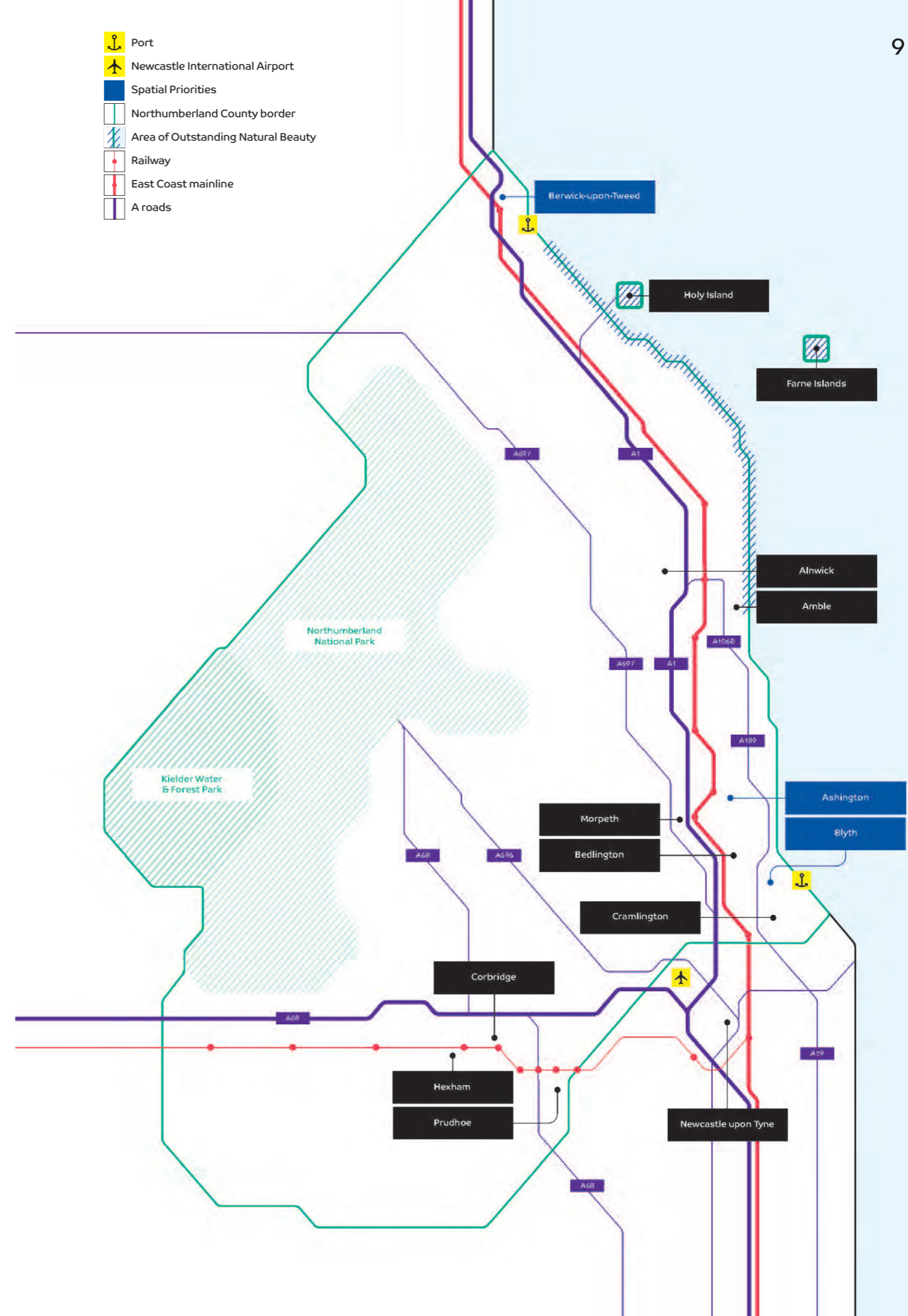
Below (top to bottom):
Former coalfield area:
Woodhorn, market town:
Alnwick and rural
Northumberland:
Hadrian's Wall



2.2

Northumberland's size and diversity presents significant challenges. The county includes a number of distinct character areas, each with its own challenges and opportunities and each requiring a distinctive agenda for action:

- the post-industrial towns and villages of the former coalfield area of south-east Northumberland, which includes some of our most deprived communities and degraded environments, but also valuable economic assets including modern business locations in Cramlington
- a group of popular, prosperous and attractive market towns, including Alnwick, Morpeth, Corbridge and Hexham, which have found new roles as local service centres and commuter communities for Tyne and Wear
- a large and thinly populated rural and coastal hinterland including a National Park and the Hadrian's Wall World Heritage Site; the largest settlement in this area is Berwick, one of England's outstanding historic towns.



Housing

2.3

The Northumberland Strategic Housing Market Assessment (2010) reported that there were 3,275 households in Northumberland with unmet housing needs. The Northumberland Housing Strategy 2011–2012 is based on five key objectives:

- rejuvenating the housing stock
- providing housing choice by type and mix
- improving and maintaining existing housing
- addressing specific community and social needs
- mitigating the impact of climate change.

2.4

At the local level, the key housing issues include:

- **in south-east Northumberland**
 - low average household income
 - non-decent private housing
 - demand for social rented housing, and
 - demand for affordable homes to buy
- **in the commuter zone**
 - demand for social rented housing, and
 - growing demand for affordable homes to buy
- **in the rural and coastal areas**
 - an ageing population
 - non-decent housing and fuel poverty
 - demand for retirement homes and second homes driving house prices out of the reach of local people.



Economy³

2.5

The Northumberland Economic Strategy 2010–2015 describes long-term structural change in the county's economy, with the demise of coal-mining and decline in agricultural employment being offset by an increase in service sector employment. There are still a number of major manufacturing employers, although employment in the sector continues to decline; the public sector accounts for more than a third of all jobs. Per capita gross value added (GVA) in Northumberland is only 62% of the UK average (2008): this prosperity gap is accounted for by a low employment rate and low productivity. Many professionals and managers live in Northumberland, but travel to work in Tyneside.

2.6

Northumberland is heavily dependent on public sector employment, but there are a number of key industries in the private sector, including pharmaceuticals, energy, engineering, ports and tourism. There is untapped potential to grow employment in private sector services in the Tyne Valley and along the A1 corridor.

Below (left to right):
Alnwick and Blyth Staithes



2.7

The strategy states that rebalancing the economy is the key objective, encouraging diversity and reducing public sector dependency. Improving the transport and telecommunications infrastructure will make the whole county more accessible and business-friendly. The issues for each geographical area can be summarised as follows:

- **in south-east Northumberland**
 - there is a continuing jobs deficit
 - the closure of the Alcan smelter in Lynemouth has resulted in the loss of 600 manufacturing jobs
 - the Blyth estuary has Enterprise Zone status: there is significant growth potential based on the National Renewable Energy Centre (NAREC), offshore oil and gas, renewables, engineering and the port
 - Cramlington houses the largest concentration of manufacturing businesses in the county including a cluster of pharmaceuticals companies
- **in the commuter zone**
 - there are employment opportunities linked to the airport and former hospital sites at Prudhoe and Morpeth
 - Morpeth is the county's administrative capital
 - employment in private sector services has grown relatively slowly
 - there is an opportunity to create more high-value, high-growth business start-ups
- **in the rural and coastal areas**
 - there is an opportunity to increase the scale and value of tourism by improving the quality of the visitor experience
 - Berwick is home to some important employers and is the enterprise, learning, cultural and service hub for a rural hinterland on either side of the border
 - injecting economic vitality into small towns and remote areas will help to secure the future of sustainable communities.



Regeneration

2.8

Arch's remit extends to every part of Northumberland, but opportunity and need are distributed unevenly across the county. Some parts of the county face the challenge of structural change and need to rediscover a sense of purpose and economic vitality. South-east Northumberland is a priority for regeneration, and parts of Ashington and Blyth are among the most disadvantaged places in the north-east. Berwick's traditional economic base has also been eroded over a long period and there is an urgent need to attract investment to the town and reverse its long-term decline.

Balancing need and opportunity

2.9

As Northumberland's development company, Arch needs to strike a careful balance between need and opportunity. We will invest in deprived communities and the places hit hardest by structural change in the economy. But we also need to be alive to new opportunities, by responding to evidence of demand and capitalising on sources of competitive advantage in every part of the county. Our immediate priorities for action will be in Ashington, Blyth and Berwick, but, Arch will be prospecting for development and investment opportunities throughout the county.





3.1

Arch is a real estate business which will develop, acquire, rationalise, upgrade and manage a portfolio of residential and commercial property. These activities will:

- provide high-quality, affordable homes for families in Northumberland, especially in deprived areas and communities where there is a big affordability gap, and
- provide a choice of good-quality, affordable industrial and commercial workspace for start-up businesses, growth companies and inward investors.

3.2

Arch will undertake a programme of acquisitions and develop new homes, workspace and mixed-use schemes. As shown in Figure 3–1, we will use surpluses generated by Arch Commercial Enterprises Ltd (our property management function) to address our wider socio-economic mission, namely:

- to help create prosperous, attractive, sustainable communities in all parts of Northumberland
- to promote enterprise and support business growth
- to attract private sector investment in business and property, and
- to support the regeneration of struggling places and disadvantaged neighbourhoods.

A new way of working: guiding principles

3.3

As Northumberland’s development company, Arch will bring a new dimension to economic development, the creation of sustainable communities and regeneration in the county. By establishing an arms-length company led by an experienced team of development professionals, the County Council has created an asset-backed vehicle which will leverage investment and engage in joint ventures with private sector partners. The new company will gain the confidence of investors and businesses and work at a faster pace than traditional public sector organisations.

3.4

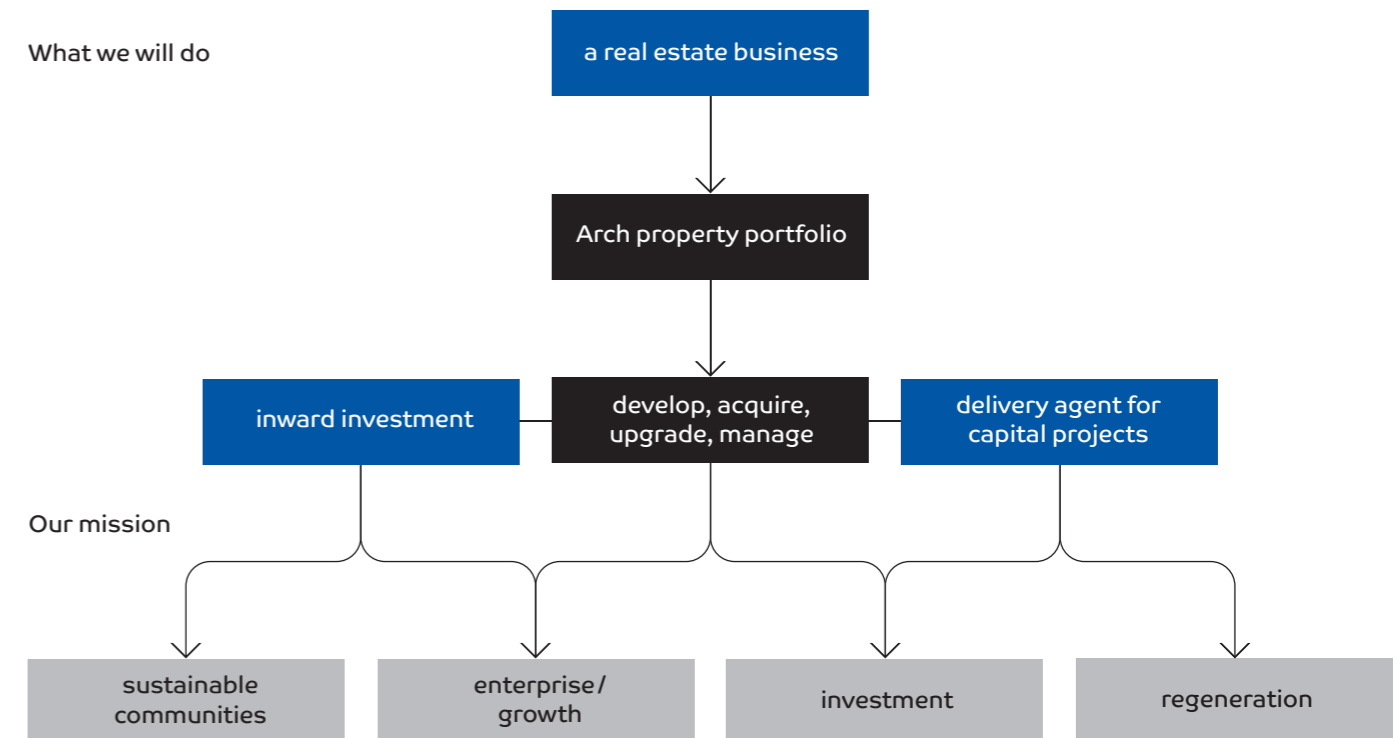
Our approach draws on the best practice recommendations of a 2010 report on local economic development by the Organisation for Economic Cooperation and Development (OECD) which argued that, internationally, the most successful development companies adopt a business-like approach and, subject to robust rules on reporting and accountability, have the autonomy to make commercial investment decisions.

3.5

The corporate strategy is founded on five guiding principles:

- a commercial perspective will be central to everything we do: Arch will prospect for investments throughout Northumberland, for opportunities to partner with other investors or to generate income from development management and other services
- investment for a purpose: we will remain focused on our wider socio-economic mission; our ultimate aim is to enhance the prosperity and wellbeing of Northumberland’s people, communities and businesses
- a balanced portfolio: the days of grant-giving and easy money for development and regeneration are over, so Arch needs to ensure that it has a strong asset base to raise borrowing, create operating surpluses and generate income
- prioritisation and delivery: we have learned from the experience of other arms-length companies that successful delivery is all about establishing priorities and making strategic choices; trying to do too many things would drain our resources and dilute our effectiveness so this plan focuses on activities which represent the best fit between socio-economic impact, market demand and Arch’s delivery capacity
- effective communication: we need to tell businesses, investors, partners and communities about Northumberland’s potential as an investment location, and about Arch’s role and achievements.

Figure 3–1:
Arch— core activities and the wider mission



Core functions and discretionary activities

3.6

Arch will pursue a focused approach which will play to our distinctive strengths. The past two years have seen the abolition of the regional development agencies, and budgets for business development, enterprise and skills have been cut. We need a new way of working, with the emphasis on private sector investment. Arch will devote its skills and resources to the following core functions:

- effective, profitable management of the residential and commercial property portfolio
- building affordable homes to rent
- commercial, industrial and mixed-use development, focused on key industries and locations
- delivering regeneration projects on behalf of the County Council and other partners
- providing a business-winning/inward investment service.

3.7

Any operating surpluses generated by our activities will be recycled to support our economic development mission. We plan to implement a targeted programme of discretionary activities, including enterprise, training and business support services for Northumberland businesses.

Working with partners

3.8

Arch will work alongside key partners including:

- Northumberland County Council has identified economic development and regeneration as corporate priorities; Arch will deliver elements of the Council's strategic investment programme such as the planned regeneration of Ashington Town Centre; the Council is also developing a Local Broadband Plan which will play a key part in attracting investment and encouraging business growth
- the North Eastern Local Enterprise Partnership (NELEP) is charged with providing the vision, knowledge and strategic leadership to drive sustainable private sector growth and job creation in the region
- the Port of Blyth, a key partner in attracting investment and development on the Blyth Estuary Renewable Energy Zone (BEREZ)
- the Homes & Communities Agency (HCA) owns strategic sites and properties in Ashington, Blyth, Prudhoe, Morpeth, Berwick and other locations; Arch is in discussions with the HCA about potential joint ventures to develop some of these key sites
- town councils and community partnerships such as Berwick's Future and Ashington Community Development Trust
- English Heritage is playing a key role in the regeneration of Berwick-upon-Tweed
- ALCAN has appointed a regional economic development (RED) director to lead a legacy programme, seek a buyer for the Lynemouth smelter site and provide support for the workforce
- Northumberland Tourism, as an 'Investor' Board member supporting growth in our visitor economy
- Northumberland College is the only further education college in Northumberland; the college will be a key partner in the regeneration of Ashington, Berwick and other locations
- regional universities are seeking to strengthen links with local communities and businesses
- a range of work experience and training opportunities for unemployed people are available through Jobcentre Plus, and many local firms offer apprenticeships for young people.



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Northumberland Economic Strategy 2010–2015 describe
change in the county's economy, with the demise of
in Northumberland, but travel to work in Tyr



Arch, The Northumberland Development Company, has developed a corporate strategy based on four key priorities:

- residential and commercial development
- urban regeneration
- attracting inward investment
- managing the Arch portfolio.

4.2

Our initial spatial priorities will be Ashington, Blyth and Berwick. Other priorities will emerge over time—for example, the redevelopment of former hospital sites—and we will be actively prospecting for investment opportunities throughout Northumberland. Over the three year plan period we will invest throughout the county.

4.3

The key to our success will be to remain focused on these priorities, which reflect our skills, assets and strengths. We will not try to do too much too soon and we can only progress if there are commercially viable propositions for Arch and its partners to invest in. At the same time, the plan must allow for some flexibility: new opportunities will emerge and we must be ready to respond quickly and imaginatively.

4.4

The priorities have equal status. They form a package which, taken together, will deliver the wider socio-economic mission described in Section 3. They work together in the integrated business model described in Section 5 and Annex A.

Priority 1: Residential and commercial development

4.5

Arch will make a significant contribution to residential property development in Northumberland, helping to address demand for good-quality, affordable homes to rent across the county. In addition to addressing continuing demand in deprived areas of south-east Northumberland, we will help to tackle the shortage of affordable homes in high-cost areas in the commuter zone and in fragile rural and coastal communities.

4.6

We currently own and manage 700 homes. Arch will build or buy 300 additional units by March 2015, with a long-term aspiration to expand the residential portfolio up to 2,500 by 2022. Working in partnership with private sector housebuilders, the HCA and others, our initial priority will be the Ashington hospital site, and we will also explore the feasibility of investing in affordable housing on the hospital sites at Prudhoe and Morpeth (St George's). We also plan to be active in Berwick although, here as elsewhere, we will first test the market to establish the nature and scale of demand. Our three-year target of 300 homes may also include micro-developments in other towns and villages.

4.7

Arch will bring forward a county-wide commercial investment programme. The economic climate calls for a new investment model, and we will work with partners to identify sources of demand and encourage investment in opportunity areas including the A69 corridor and Morpeth, both of which are attractive locations for service sector businesses and start-ups. We will also facilitate investment in the tourism infrastructure, including potential hotel developments.

4.8

In the first three years we will complete two significant industrial/commercial projects, including at least one in the Enterprise Zone (EZ) in Blyth. The EZ is a unique opportunity for Northumberland, and it will be a high priority in the coming year. We will build on the presence of NAREC, and capitalise on the simplified planning regime and business rate discounts in the EZ. Land owned by Arch and the HCA will be developed to create a mix of start-up and incubator space, as well as accommodation for growth companies and inward investors.

4.9

We will also support the efforts of Alcan who have announced a regional economic development (RED) legacy plan for Lynemouth. Other potential projects are currently being developed and market tested. They include:

- mixed-use development of the area around the former kwiksave store in Berwick, to create modern business space, expanded college provision and a new library
- technology incubators for sectors including energy and pharmaceuticals
- move-on space for growth companies in the Tyne Valley and other locations.

Left: Arch Housing, Ashington
Right: Morpeth offices



Below:
Coastal regeneration,
Newbiggin by the Sea



Right (top to bottom):
Kirkley Hall campus,
Blyth Quayside



Below:
Left: kwiksave development
site, Berwick
Right: Jackel International,
Cramlington



Priority 2: Urban regeneration**4.10**

Our immediate regeneration priorities have been agreed with Northumberland County Council. Arch will act as development manager for urban regeneration projects in Ashington and Berwick town centres. The two towns present very different challenges, but both have felt the effects of long-term structural change, including a loss of economic vitality and a decline in the physical fabric.

4.11

Northumberland County Council has earmarked £28m for a major investment in Ashington town centre. Arch has already developed a strategic concept for the town centre, which is based on:

- a vision of Ashington as a healthy place
- the catalytic role of the planned new “leisure centre plus” (LC+) which will see new sports and leisure facilities co-located with a library, primary healthcare, arts and other facilities
- design principles for LC+, strengthening the urban form of the town centre and establishing a link to new housing on the former hospital site.

4.12

Our immediate priority (Year 1) is to establish an agreed vision, strategy and delivery plan for Ashington town centre. Work on LC+, the new urban grid and the hospital site will be under way in Year 2, and completed in stages between Year 3 and Year 5.

4.13

Historically, the problem in Berwick has been a failure to turn good intentions into action on the ground, but recent projects such as Berwick WorkSpace, the restoration of the Dewar’s Lane Granary and the Townscape Heritage Initiative (THI) have boosted confidence. Despite this, there is still much to be done.

4.14

Arch has established a presence in Berwick, and our immediate priority will be to work with the Council, the Berwick’s Future partnership, English Heritage, landowners and developers to establish an agreed vision and agenda for action in the town, underpinned by an implementation and funding plan. Potential projects include:

- development of the area around the former kwiksave store in Walkergate
- the regeneration of the historic Barracks and the Parade
- development of the outstanding Quayside site
- a strategy for the public realm, traffic and parking

4.15

By the end of Year 1 we will have an agreed work programme and funding in place for phase 1 of the action plan. By Year 2–3 work will be under way in Walkergate and at least one other project.



Priority 3: Attracting inward investment

4.16

Arch will establish a high-calibre inward investment and business winning service.

Our key activities will be:

- promoting Northumberland as an attractive and competitive business location
- developing marketing propositions for key sectors and locations, including the Blyth Enterprise Zone sites
- supporting UK Trade & Investment to attract foreign direct investment
- targeting UK companies planning to expand/relocate
- supporting the expansion/relocation plans of regional and local businesses
- providing an after-care service for key companies.

4.17

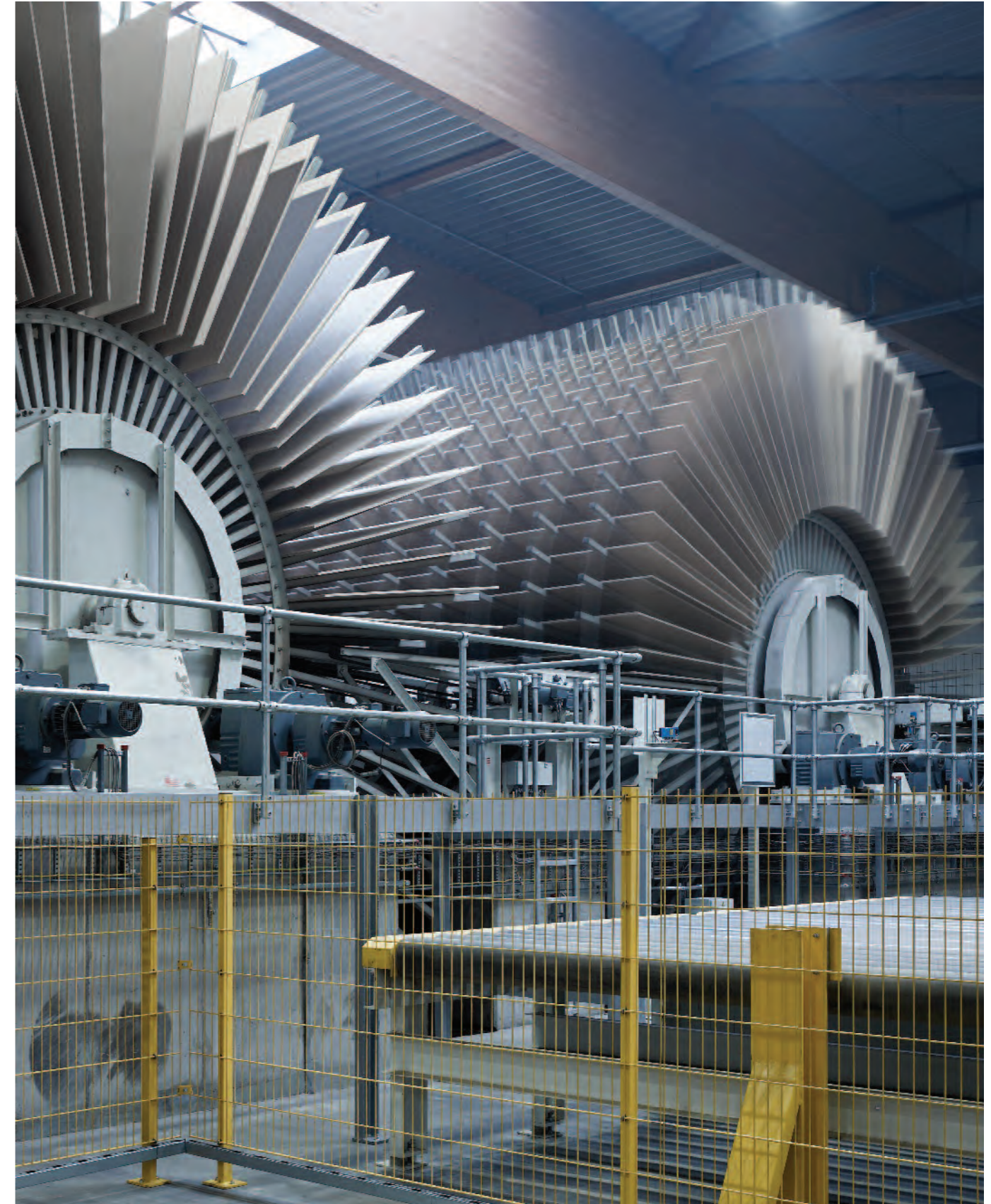
We are currently developing an investment marketing strategy for Northumberland.

Key themes will include:

- the county's sectoral strengths and specialisms in pharmaceuticals, energy, engineering and other sectors
- investment opportunities in the tourism and hospitality sectors
- strategic development sites
- Enterprise Zone incentives
- NAREC and the county's green credentials
- access to the specialist research strengths of regional universities
- the highly-skilled and well-qualified workforce in the commuter belt
- Northumberland's outstanding natural environment and quality of life.

4.18

The inward investment service will roll out early in Year 1, and we will also establish strong relationships with Northumberland's Top 50 companies. The aim is to facilitate these key firms' aspirations for growth and investment, and to attract their key suppliers and customers to Northumberland. We will recruit business leaders from the Top 50 to join the board of Arch or to act as ambassadors for Northumberland, representing the county on trade missions and hosting visits by potential investors.



Below (top to bottom):
Dräger, Blyth,
The Specials Lab,
Prudhoe and
Shasun, Cramlington



Right: Wind Turbines
Below: Berwick WorkSpace



Priority 4: Managing the Arch portfolio

4.19

The Arch property portfolio is the bedrock of the corporate strategy. It is an asset base worth around £50m which, combined with commercial loan facilities, gives Arch the ability to raise finance for development projects or enter into joint ventures with private sector and other partners. We aim to generate a modest profit from the management of our residential and commercial portfolios which we will recycle to support discretionary activities, research and project development.

4.20

Arch is already a well-established and highly-regarded landlord in the residential sector. Today, we own and manage 700 homes: this will increase to 1,000 by 2015, rising to 2,500 units by 2022. The care and maintenance of the estate is vital to the wellbeing of our tenants, but is also an essential investment for the future. Our team will respond to requests from tenants, and we will continue to implement a planned programme of maintenance and upgrades for all our properties. Contracts for the latter will be subject to competitive tendering and bidders will be asked to set out plans to use local labour, recruit apprentices and create opportunities for local suppliers.

4.21

Arch has already begun to build a portfolio of industrial and commercial properties and development sites. We will acquire property in all parts of the county.

4.22

Arch will optimise the performance of the property portfolio by driving down the number and duration of voids, reducing debt and ensuring prompt payment. We will merge the residential and commercial portfolios into an integrated property management function with a shared business plan designed to increase operating surpluses year-on-year.

Discretionary activities

4.23

The scale and scope of Arch’s discretionary activities will be determined primarily by the operating surplus achieved, although the budget may be supplemented by funding from other sources. Arch will use surpluses to commission enterprise and business growth programmes, especially for companies trading in wider UK and international markets and those with high growth potential.

4.24

Arch will play a full part in county-wide economic development, tourism, regeneration and other initiatives. We will investigate the feasibility of creating a community fund, offering small grants to help local organisations develop grassroots projects or plan for the acquisition of community assets.

A phased approach

4.25

The corporate strategy covers a transitional period for Arch, which will see the company grow from its historic role as a provider of affordable housing in the former coalfield areas to become The Northumberland Development Company. The plan is an ambitious one, but it cannot happen overnight. In order to complete the transition successfully Arch will need to:

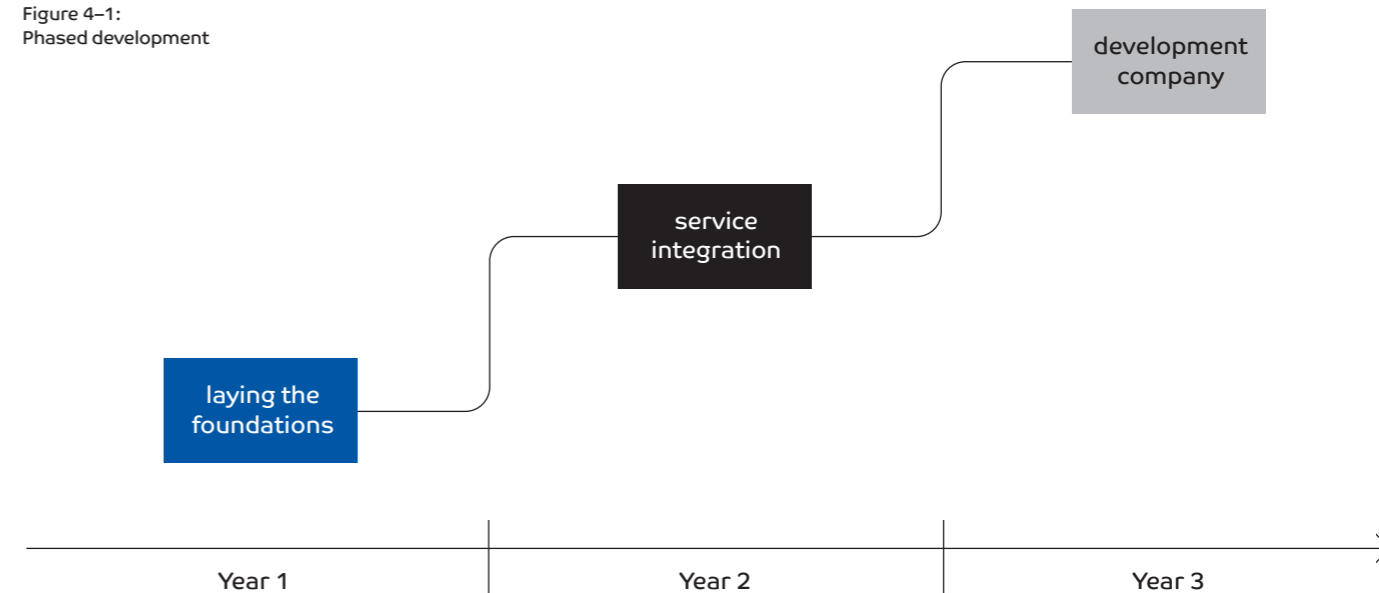
- grow its asset base and optimise the performance of its residential and commercial property portfolios
- establish the integrated business model described in Annex A
- introduce and embed new services and activities including business winning, marketing and communications
- establish an effective working relationship with the County Council and develop strong partnerships with the HCA, the North East Local Enterprise Partnership (NELEP) and others.

4.26

The business plan period (2012–2015) will span three phases (Figure 4–1):

- Phase 1 will focus on laying the foundations in terms of governance, market research, planning, partnerships and organisation development. During this period, efficient management of the housing stock will be a priority, we will grow the commercial property portfolio, and the inward investment function will be established. The company’s property development and finance functions will become fully operational, establishing a project pipeline and preparing the first tranche for implementation.
- Phase 2 will focus on the integration of operations according to the new business model. The reviews of the residential and commercial portfolios will be completed and action plans will be adopted to rationalise assets and optimise their performance. Work will get under way on new housing projects, commercial and mixed-use developments, and implementation of regeneration projects will begin.

Figure 4–1:
Phased development



- Phase 3 will see the transition to The Northumberland Development Company completed. The business model will be fully operational and the company will mobilise its asset base to finance and deliver long-term investment plans for residential and commercial development and regeneration initiatives. The first tranche of development projects will be completed, with a second wave under way. Surpluses from the integrated property management function will fund enterprise and business growth services.



All Arch's activities will contribute directly or indirectly to the company's social and economic mission in Northumberland by:

- helping to establish successful, sustainable communities where a choice of housing by type and tenure—including affordable homes for lower income households—contributes to an excellent quality of life
- promoting economic competitiveness by encouraging enterprise and private sector business growth in Northumberland, and creating additional jobs
- attracting private sector investment through residential and commercial property development, inward investment, business expansion and relocations
- driving the regeneration of towns like Ashington and Berwick that have suffered the effects of long-term industrial decline and a lack of investment.

5.2

These are challenging goals and, while Arch has a major contribution to make towards all of them, we won't be acting alone. The Northumberland's Development Company will be an agent for change, working with the private sector, the Council and other agencies to rebalance the economy and create a better life for all. We will monitor progress using an agreed set of key socio-economic indicators (KSEIs); Figure 5–1 shows a provisional list.

5.3

We are developing a performance management framework relating specifically to Arch's core activities. This framework is still being finalised but it will capture:

- inputs including capital and revenue expenditure
- the outputs resulting directly from these activities, and
- the impact over time on the KSEIs.

5.4

We have prepared an outline investment plan for the first three years (Figure 5–2). This shows annual expenditure in the order of £19–19.5 million in Years 1 and 2, and £14 million in Year 3, a total of £52.8 million over the plan period. This may change as we gain momentum and secure funding for additional projects, so the following should be treated as a provisional estimate for the time being.

5.5

Arch is still at a formative stage and we are continuing to develop aspects of our operating plan and budget for 2012–2015. The following targets (shown in Figure 5–2) are therefore provisional and may be subject to amendment in the future.

Figure 5–1: Key socio-economic indicators

Goals	KSEIs
1 Sustainable communities	1.1 Households with unmet housing needs 1.2 Incidence of multiple deprivation (IMD) 1.3 Economic activity rate
2 Enterprise and growth	2.1 Gross value added/GVA per capita 2.2 Business stock per 10k population 2.3 Private sector employment
3 Investment	3.1 Housing completions 3.2 Commercial floorspace developed 3.3 Number/value of inward investment, reinvestment and relocation projects
4 Regeneration	4.1 Private sector investment in target towns 4.2 Change in IMD rankings 4.3 Town centre rentals/occupancy

Figure 5–2: Planned expenditure by priority, 2012–2015

Key priorities	2012–13	2013–14	2014–15	Total
Priority 1 Residential and commercial development	10,306	5,575	5,595	21,476
Priority 2 Urban regeneration	8,580	13,651	8,001	30,232
Priority 3 Attracting inward investment	50	50	50	150
Priority 4 Managing the Arch portfolio	318	317	324	959
Total	19,254	19,593	13,970	52,817

Provisional targets for core activities 2012–2015

Priority 1: Residential and commercial development

Inputs	Over the plan period we will invest about £20 million in residential and commercial development.
Outputs	<ol style="list-style-type: none"> 1. Arch's investment in new homes will leverage £10 million of other private sector investment, plus £10 million from other sources. 2. The housebuilding programme will provide affordable homes in Ashington and other locations for 300 families/900 people in housing need. 3. The commercial/industrial development programme will create 10,000 sq metres of modern office/industrial/other floorspace in Blyth, Berwick and other locations.
Impact	Direct contribution to KSEIs 1.1, 1.2, 3.1, 3.2 Indirect contribution to KSEIs 1.3, 2.1, 2.2, 2.3

Priority 2: Urban regeneration

Inputs	Over the plan period we will invest about £30 million in regeneration schemes for Ashington and Berwick.
Outputs	<ol style="list-style-type: none"> 1. In Ashington, Arch will deliver LC+, housing on the Ashington Hospital site, and a new street grid. 2. In Berwick, Arch will deliver a mixed-use development in the Walkergate area and one other priority project to be agreed.
Impact	Direct contribution to KSEIs 1.2, 4.1, 4.2, 4.3 Indirect contribution to KSEIs 1.3, 2.1, 2.2, 2.3

Priority 3: Attracting inward investment

Inputs	Starting in Year 1 Q1, Arch will deliver the inward investment/ business winning at an annual cost of £100,000.
Outputs	<ol style="list-style-type: none"> 1. Over the plan period we will attract at least 10 inward investment/business location projects. 2. These projects will generate an aggregate private sector investment in Northumberland in excess of £30 million, creating or safeguarding 1500 jobs.
Impact	Direct contribution to KSEI 3.3 Indirect contribution to KSEIs 2.1, 2.2, 2.3

Priority 4: Managing the Arch portfolio

Inputs	<ol style="list-style-type: none"> 1. Arch will improve the efficiency and effectiveness of the portfolio management function, leading to the integration of residential and commercial property management in Year 2. 2. We will develop and implement a 10-year capital programme of repairs and improvements, with an estimated annual budget in the order of £320,000 in Years 1–3.
Outputs	<ol style="list-style-type: none"> 1. We will reduce the costs of managing the portfolio by 10% in each year of the plan period, and increase income—also by 10% per annum. 2. Increased efficiency will generate an operating surplus of £500,000 in Year 1, rising to £750,000 in Year 2 and £1 million in Year 3.
Impact	Indirect contribution to all KSEIs



The company

A.1

In 2011, Northumberland County Council took the decision to reinvent Arch, already an established social housing business, as The Northumberland Development Company, with a county-wide remit to deliver development and regeneration and to attract investment. The intention was to transform Arch into a business with a strong private sector ethos and a more enterprising approach.

A.2

In the next few months the company will complete the appointment of a 10-person board, comprising five senior private figures, four elected members and the chief executive of the County Council. The first chairman is the Leader of the Council, Councillor Jeff Reid.

A.3

Arch is constituted as a group of companies under the oversight and direction of Arch (Corporate Holdings) Ltd (Figure A-1).

A.4

Peter McIntyre was appointed as Arch's Group Managing Director in October 2011. Peter has overseen the development of the corporate strategy, and he has recruited a high-calibre executive team with extensive experience in the private sector and specialist expertise in housing, regeneration, development management and inward investment.

Making our assets work: the business model

A.5

Real estate is the engine that drives the Arch business model. The model is self-financing: by expanding, modernising and optimising the performance of our residential and commercial portfolios we will fulfil our primary purpose of providing affordable homes and quality workspace for people and businesses in Northumberland. A business winning service, targeting expansions, relocations and inward investment, will stimulate demand for workspace.

A.6

A growing and profitable portfolio will strengthen Arch's asset base, enabling borrowing and participation in joint ventures with commercial partners. This will enable the company to access resources which will be used for (a) the acquisition of appropriate property, and (b) the development of new houses and/or workspace in priority locations.

A.7

Figure A-2 shows the Arch business model, highlighting the core and discretionary activities. Because the model is largely self-financing it follows that our capacity to invest in property and deliver economic development and regeneration services will increase over time. We will grow the company's asset base and maximise the performance of the residential and commercial property portfolios. Over time, this will enable Arch to expand its operations and make a measurable impact on housing need, jobs and economic output in Northumberland.

Figure A-1:
Arch Group Structure

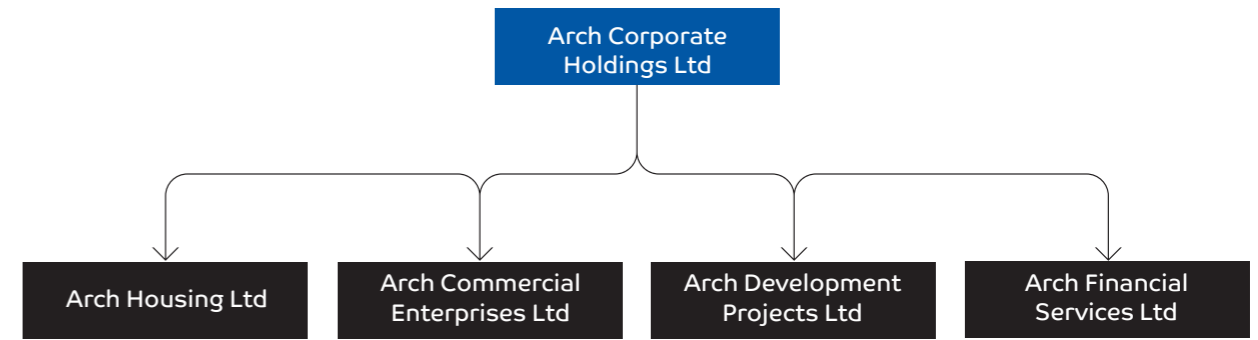
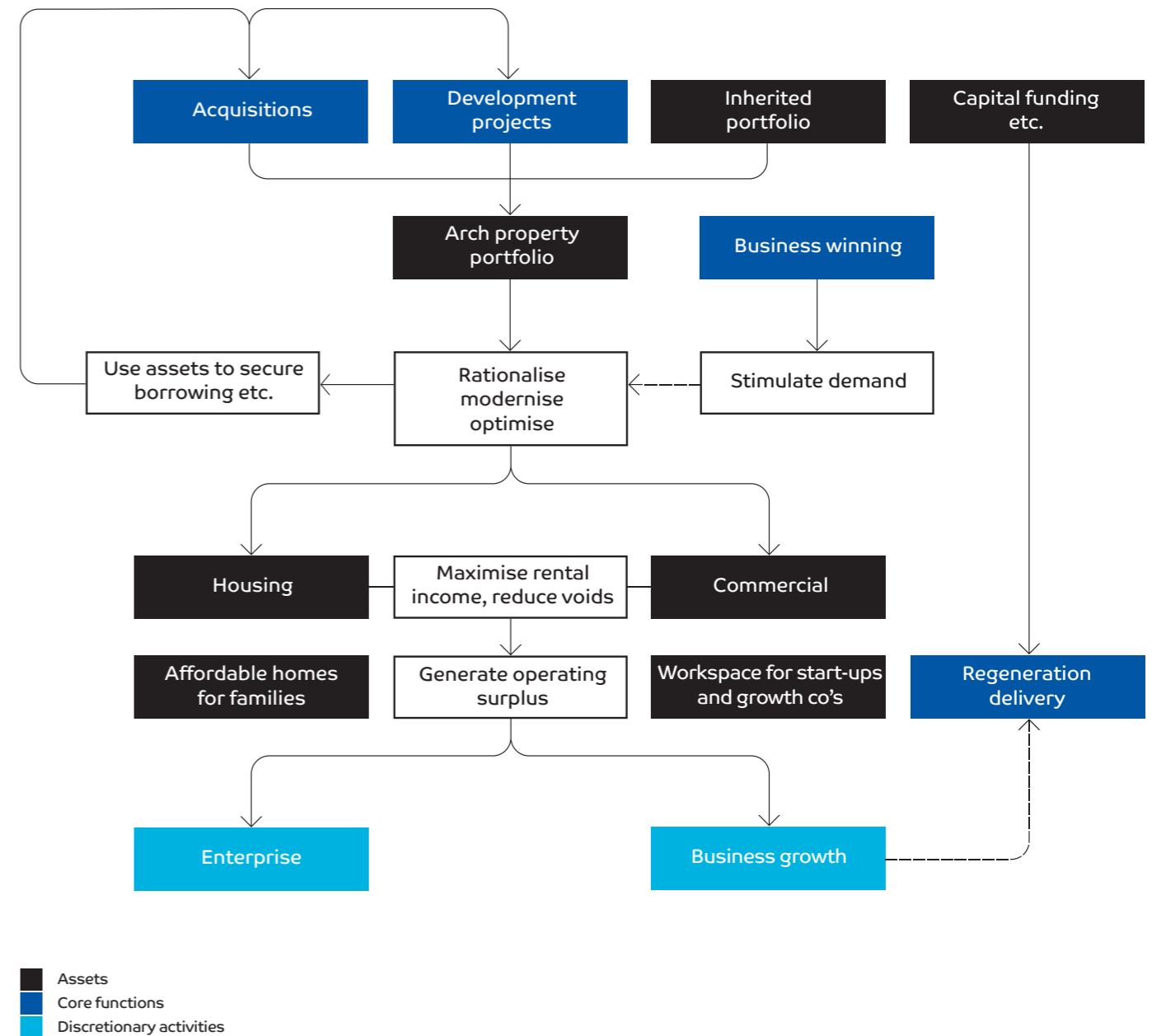


Figure A-2:
The Arch business model





Gross value added (GVA)

B.1

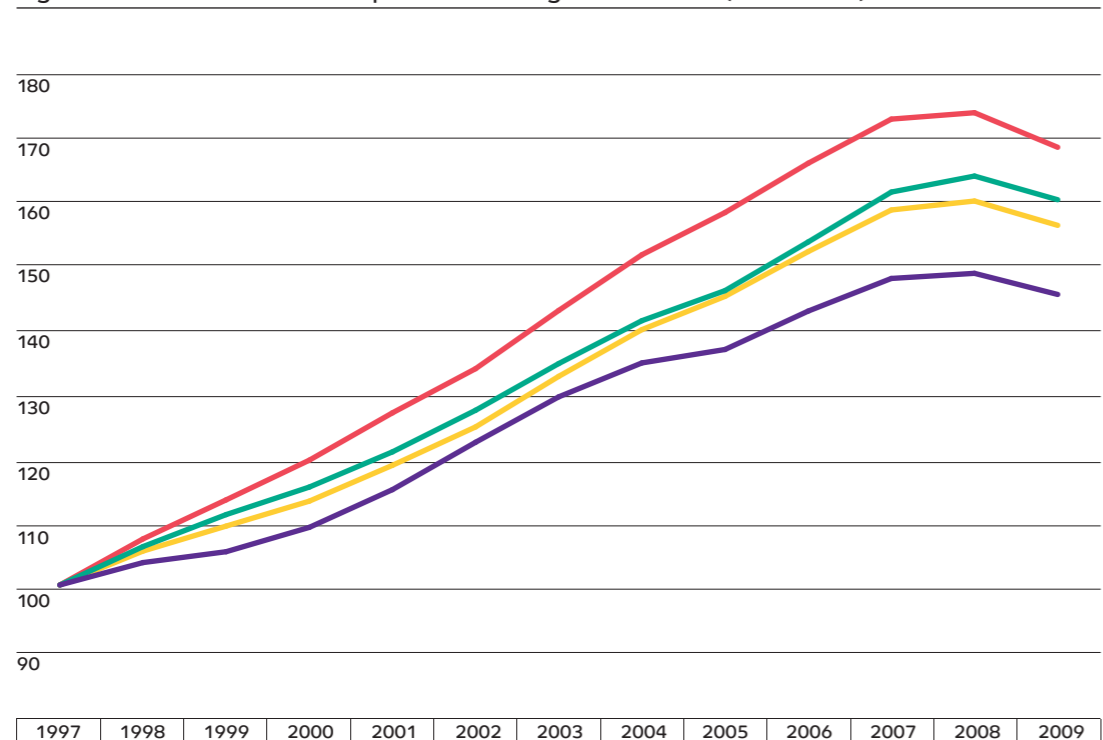
Northumberland is a low output—low productivity local economy (Figure B-1). The Office for National Statistics (ONS) estimates that Gross Value Added (GVA) per head in 2009 was £12,154, less than 60% than the English average. Northumberland's GVA per head also lags behind the regional average, and is only 69% of the figure for Tyneside. The table shows that the output gap has increased since 1997 (Figure B-2).

Figure B-1: Gross value added per head, 2009

	GVA per head 2009	% of English average	Increase 1997–2009
England	£20,498	100.0	+60.2 %
North East	£15,304	74.7	+56.2 %
Tyneside	£17,697	86.3	+68.4 %
Northumberland	£12,154	59.3	+45.4 %

Source: ONS

Figure B-2: Gross value added per head: Change 1997–2009 (1997 = 100)



Source: ONS/yellow book

Legend for Figure B-2:
■ England
■ North East
■ Tyneside
■ Northumberland

Employment

B.2

There were 103,400 employee jobs in Northumberland in 2008. Figure B-3 shows the distribution of employee jobs by sector compared with Great Britain. The bottom line of the table shows location quotients for Northumberland: a value in excess of 1 indicates that a sector is over-represented compared with the GB average; a value of less than 1 indicates that a sector is under-represented. Manufacturing and public administration are over-represented in Northumberland, but transportation and, in particular, finance, IT and business services are significantly under-represented.

B.3

Figure B-5 shows location quotients for the former council areas, reflecting the economic diversity of Northumberland. Some notable features include:

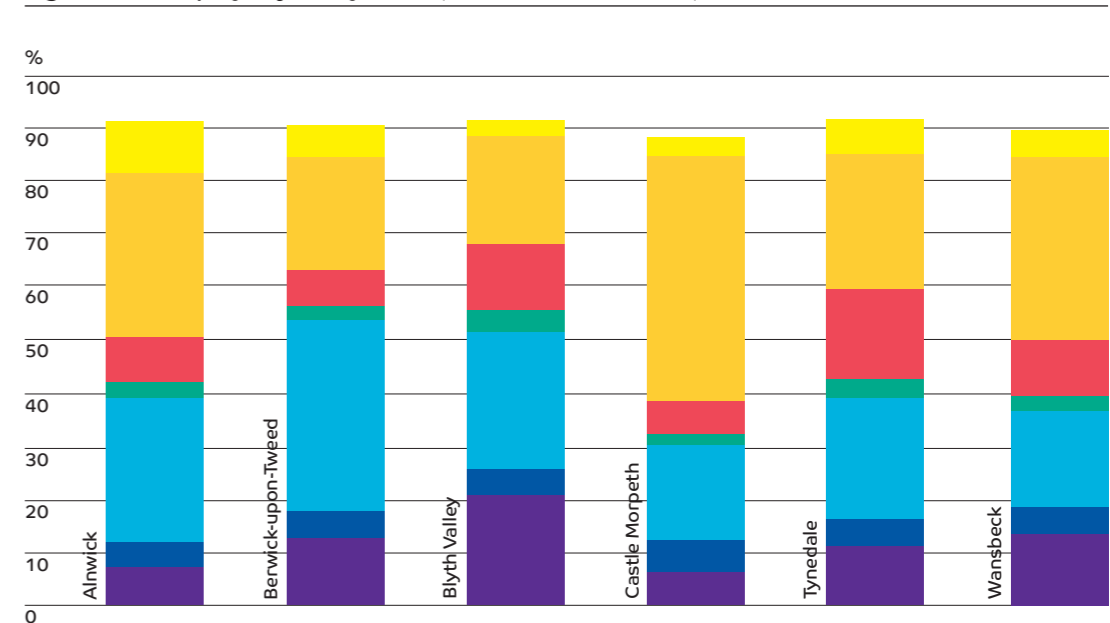
- very high dependence on manufacturing, especially in Blyth Valley and, to a lesser extent, Wansbeck and Berwick-upon-Tweed
- high dependence on distribution, hotels and catering in Berwick
- low dependence on transportation in all parts of the county
- low dependence on financial and business services, especially in Berwick and Castle Morpeth
- high dependence on public administration, especially in Castle Morpeth.

Figure B-3: Employee jobs by sector, Northumberland and GB, 2008 showing location quotients

	Mfg	Const	Distrib etc.	Transport	IT/Business	Public Admin	Other
Northumberland	13.0	5.5	24.7	3.3	10.9	35.7	5.4
Great Britain	10.2	4.8	23.4	5.8	22.0	27.0	5.3
Location quotient	1.3	1.1	1.1	0.6	0.5	1.3	1.0

Source: ONS/yellow book

Figure B-4: Employee jobs by sector, former council areas, 2008



Source: ONS/yellow book

Note: Figures have been rounded and do not add upto 100%

Figure B-4: analyses employment by sector in the former council areas.

Legend for Figure B-4:
■ Other
■ Public Admin
■ IT/Business
■ Transport
■ Distrib etc.
■ Const
■ Mfg

Figure B-5: The ONS also provides an estimate of tourism-related jobs, which account for 11.6% of jobs in Northumberland, compared with 8.2% for Great Britain. Tourism accounts for 19.2% of jobs in Berwick-upon-Tweed (a location quotient of 2.3), and 13.4% in Tynedale.

Figure B-5: Location quotients by sector, former council areas 2008

	Mfg	Const	Distrib etc	Transport	IT/Business	Public Admin	Other
Alnwick	0.7	1.0	1.2	0.5	0.4	1.2	1.9
Berwick-upon-Tweed	1.3	1.1	1.6	0.5	0.3	0.8	1.2
Blyth Valley	2.1	1.1	1.1	0.7	0.6	0.8	0.6
Castle Morpeth	0.6	1.3	0.8	0.4	0.3	1.8	0.7
Tynedale	1.1	1.1	1.0	0.7	0.8	1.0	1.3
Wansbeck	1.4	1.1	0.8	0.5	0.5	1.3	1.0

Source: ONS/yellow book

Earnings

B.4

The average weekly earnings for a full-time employee working in Northumberland are about 85% of the Great Britain average, and about 94% of the North East regional average (Figure B-6). However, the earnings gap for people living in Northumberland is narrower: local residents in full-time employment earn on average 94% of the GB average, and earn 5% more than the regional average (Figure B-7).

B.5

These figures reflect a complex picture. The fact that the earnings gap as measured by place of residence is smaller than the gap as measured by place of work reflects the importance of commuting to higher paid jobs in Tyne & Wear, especially by residents of the former Alnwick, Castle Morpeth and Tynedale council areas. Figure B-8 shows that residents' average weekly earnings in Alnwick, Castle Morpeth and Tynedale were above the GB average. In the same areas, residents' earnings were between 20% and 50% higher than earnings in local workplaces.

B.6

However, these findings need to be set in context. Northumberland is more dependent on part-time jobs than the North East or GB (Figure B-9). Part-time jobs account for 39.9% of employment in Northumberland, and the share is as high as 42.9% in Alnwick.

The workforce

B.7

73% of the working-age adults (aged 16–64) in Northumberland are economically active, slightly less than the GB average (76%). But the economic activity rate ranges from 66.7% in Wansbeck and 67.9% in Berwick, to 80% in Castle Morpeth.

B.8

Of those who are economically inactive, 24.5% are retired, compared with 16.9% in GB. Only 17.2% of the economically inactive in Wansbeck are retired, but the figure is as high as 30.5% in Alnwick and 32.5% in Tynedale.⁴

⁴ Source: ONS/yellow book. Data for Oct 2010–Sept 2011. Data for Berwick and Castle Morpeth suppressed.

B.9

Figure B-10 shows the percentage of Northumberland residents working in different occupational groups. There are fewer managers, professionals and associates than the GB average. However, there are big local variances: only 21.1% of Berwick employees are in SOC groups 1–3, but the figure is 46.1% for Tynedale and 50.8% for Castle Morpeth, both well above the GB average.

B.10

These figures are reflected in workforce qualifications. The percentage of working-age adults educated to degree level or higher is slightly below the GB average (29.0% compared with 31.3%) but again there are big local variations. Only 14.6% of Wansbeck residents have a degree, but 41.2% of Tynedale residents and 41.3% of Castle Morpeth residents are educated to this level.

Figure B-6: Average weekly earnings by workplace (full-time employees), 2011

Northumberland	North East	Great Britain	Northumberland as % of GB
£425.40	£451.80	£502.60	84.6

Source: ONS

Figure B-7: Average weekly earnings by residence (full-time employees), 2011

Northumberland	North East	Great Britain	Northumberland as % of GB
£474.00	£450.90	£503.10	94.2

Source: ONS

Figure B-8: Average weekly earnings analysed by former council area, 2011

Former council area	Ave resident earnings	Resident earnings as % of GB average	Ave workplace earnings	Ratio of resident to workplace earnings
Alnwick	505.20	100.5	357.70	1.4
Berwick-upon-Tweed	385.70	76.7	381.10	1.0
Blyth Valley	445.70	88.7	431.90	1.0
Castle Morpeth	556.90	110.8	471.10	1.2
Tynedale	582.30	115.9	384.50	1.5
Wansbeck	439.20	87.4	430.90	1.0

Source: ONS/yellow book

Figure B-9: Part-time employee jobs, 2008

Northumberland	North East	Great Britain	Ratio Northumberland to GB
39.9%	31.8%	31.2%	1.3

Source: ONS/yellow book

Figure B-10: Percentage of employees working in occupational groups, Northumberland, North East and GB, 2010–2011

SOC Groups	Northumberland	North East	Great Britain
SOC 1–3: Managerial, professional, associate	37.0%	37.4%	43.3%
SOC 4–5: Admin and skilled trades	23.5%	23.0%	21.9%
SOC 6–7: Caring, sales, customer service	20.5%	19.6%	20.0%
SOC 8–9: Process and elementary	19.0%	20.0%	17.6%

Source: ONS/yellow book

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