### Arch Board Minutes

#### Date/Time
Friday 23rd February 2018  
1:00pm – 3:30pm

#### Venue:
Arch, Wansbeck Workspace, Rotary Parkway, Ashington, Northumberland, NE63 8QZ

#### In attendance:
- Cllr Richard Wearmouth  
- Cllr Peter Jackson  
- Cllr Jeff Reid  
- Chris Sayers  
- John Woodman (part)

#### Present:
- Ken Dunbar  
- Neil Bradley  
- Kim Grant (Minutes)

#### Part:
- Duncan Bowman  
- Michael Black  
- Lee Farrier  
- Pam Robertson  
- Ann Bridges

#### Apologies:
- Cllr Wayne Daley  
- Allison Joynson  
- Daljit Lally

#### Arch Chair

#### Leader NCC

#### Leader of Liberal Democrat Group

#### Chair of the Board of Governors, Northumbria University

#### Arch Interim Executive Director of Business Support

#### NCC Finance Director/Arch Interim Finance Director

#### Arch Personal Assistant

#### Arch Development Director

#### Arch Head of Investments

#### Arch Head of Estates

#### Arch HR Manager

#### NCC Head of Communications

#### Deputy Leader, NCC

#### NCC Director of International Projects & System Transformation/Arch Interim Chief Executive

#### NCC Chief Executive
1.0 Welcome and Introductions

1.1 The Chairman welcomed the attendees to the meeting.

2.0 Apologies for Absence

2.1 The Chairman reported that there had been apologies for absence from Cllr Wayne Daley, Allison Joynson and Dajit Lally.

3.0 Declarations of Interest

3.1 Cllr Peter Jackson, Leader NCC, declared an interest with regard to any item pertaining to funding applications due to his role in NCC.

4.0 Minutes of Previous Meetings

4.1 The minutes of the previous meeting held on the 19th January 2018 were reviewed and AGREED as an accurate record of proceedings.

5.0 Matters Arising

5.1 The Arch Interim Director of Business Support confirmed that an update regarding Manor Walks would be presented at the March 2018 Board meeting.

6.0 Health & Safety

6.1 The Interim Finance Director presented the Health & Safety report.

6.2 The Interim Finance Director stated that February had been another good month in terms of Health & Safety but drew the Board’s attention to the following:

- A contractor operating cut-off saw was not using PPE or dust suppression (this was a localised issue, not a regular occurrence or excepted practice). **Action:** Immediately addressed by on site management team, red card issued and operative removed from site, employer informed and site meeting arranged to discuss the matter further with contractor.

- It had been identified by the Arch estates department that AFC had not had a water hygiene test carried out since December 2017 due to access issues. This was a monthly requirement carried out by Seven Trent. **Action:** This has been brought to the attention of AFC and Arch head off estates is currently dealing with it.

7.0 Human Resources

7.1 The Interim Executive Director of Business Support highlighted issues that had arisen in relation to the application of HR policies following a recent Appeal Hearing. As such an SLA would be developed with the Council’s HR team to
address the strategic and operational HR gaps and oversee policy and training development, some of which would form part of the transition plan.

7.2 The HR Manager presented the HR Report.

7.3 The HR Manager stated that the current headcount within Arch at 31st January 2018 was 131, labour turnover for the end of Qtr 3 was 16.41% and the sickness absence rate was 2.45%.

7.4 The HR Manager confirmed that the Substance Misuse Policy and associated implementation programme was on hold, pending clarification of the "3 strikes element" that was to be included. As a result, there would be a delay in the implementation of the policy.

7.5 The HR Manager confirmed that the recently issued Staff Survey currently had a 97% return rate. Initial reports would be available w/c 26th February 2018.

7.6 The HR Manager went on to confirm that the next Employee Forum meeting would be held on the 6th March 2018.

7.7

7.8 The HR Manager confirmed that interviews for the Senior Investment Surveyor post were due to be held w/c 26th February 2018.

8.0 Financial Update

8.1 The Interim Finance Director presented a Finance Update Paper for Consideration.

8.2 The Interim Finance Director confirmed that Arch’s forecast outturn position had improved slightly from a forecast pre-tax profit of £1.77m to £1.93m. This position was £1.3m from plan when reported in January, so now reduced to £1.1m from plan.

8.3 The Interim Finance Director went on to confirm that The Mailings House (Cramlington) had a new offer

8.4 The Interim Finance Director requested the Board to note that Arch had potential capital allowances to claim from Manor Walks

8.5
8.6 The Interim Finance Director stated that, with regard to the Section 106 grant, a broad deal had been negotiated between Arch and NCC planning but the model that had been used is being reviewed. The Interim Finance Director agreed to bring back a more formal report to a future Board meeting.

9.0 Projects Seeking Approval

9.1 Commissioners Quay, Blyth

9.1.1 The Development Director introduced the proposal regarding development of the Commissioners Quay site on the quayside at Blyth which had an existing Board Approval to develop 49 units. This re-approval was required as the scheme had been re-engineered following a tender process to third party contractors which culminated in a contract sum in excess of the original budget signed off by Board.

9.1.2 The Development Director went on to explain that this had resulted in the scheme being subjected to an extensive review by the internal team. They had considered the buildability, value characteristics and phasing with the scheme now to be built by the internal team. This process had concluded in a scheme that had a lower debt requirement from NCC, it would deliver 41 units and also have the advantage of leaving a portion of the site for a further phase of development.

9.1.3

9.1.4 The Development Director went on to confirm that any development by Arch had to be with the approval of HE at which point Arch would deal with the Agency's requirements to cover any element of repayment. This would mean that before any development and plot sales took place Arch would need to have received approval from Homes England.

9.1.5 The Development Director stated that the scheme retained its focus on architecturally led regeneration proposals which complemented and enhanced the existing regenerated areas of the site, namely the workspace and the hotel.

9.1.6 The Development Director confirmed that the proposal was for a scheme which would provide a range of 2 and 3-bedroom home for Private Sale under the Ascent Homes banner.
9.1.7 The Development Director confirmed that the scheme aligned to the Arch Corporate Strategy 2015 to 2018. The regeneration of the brownfield site would generate a commercial return and, through Arch’s Construction Management of these traditionally built units, inward investment into Northumberland based businesses would be generated via localised key suppliers and subcontract network.

9.1.8 Cllr Peter Jackson left the meeting.

9.1.9 A discussion took place amongst the Board members regarding the architecture of the houses, the layout of the scheme and car parking issues. Following this discussion, the Development Director was asked to review the car parking allocation.

9.1.10 Cllr Peter Jackson rejoined the meeting.

9.1.11 John Woodman joined the meeting at 14:05.

9.1.12 The Development Director made Board aware that an updated proposal for Empire Court, Whitley Bay would be presented which would outline the plan to sell Empire Court in its entirety on a long leasehold basis which would involve setting up a management company. Due to the timing of March year-end sales this would need to be presented as a virtual approval.

9.2 Property Lettings & Disposal

9.2.1 The Head of Estates introduced the proposal to dispose of properties as part of the property rationale process of the Arch Commercial and Residential Estate

9.2.2 The Head of Estates confirmed that, following on from the strategic review of Arch, Directors of the Board had taken the decision to close the company and create a new company with greater focus on regeneration, place shaping and delivering for communities within Northumberland.

9.2.3 The Head of Estates went on to confirm that one of the key strands to be reviewed within the setup of the new company was to centre on Asset Management. This would look at both the current Commercial and Residential Estate as well as looking at future delivery of regeneration schemes which would then fall into the company’s Estate to manage going forward.

9.2.4 The Head of Estates stated that the current Arch Estate comprised of an Arch Homes portfolio of 1058 residential units and a Commercial Portfolio of over 1.7 million sq ft of commercial property, 1262 acres of income producing commercial and agricultural land as well as holding latest development land for
future commercial projects. The annual turnover currently stood at circa £15m, with an Asset Value of the Arch Estate valued at circa £320m.

9.2.5 The Head of Estates confirmed that, to assist the transformation teams with making strategic decisions on the future estate of the organisation, the Commercial and Homes Teams had initially assessed their respective portfolios by assessing each Property/Estate on the following criteria:

- Northumberland Location
- Property Condition
- Expenditure
- Demand
- Profit – detailing current profit against revised profit when factoring in capital works on the commercial portfolio.
- Strategic reasoning for holding assets
- Redevelopment Opportunities

This had then been analysed to see if it would fit with the strategic operational objectives of the company. Results of the full portfolio had been initially identified through a RAG status, the rational of which is below:

- **Red**
  Not fit for purpose of the company's objectives - Dispose

- **Amber**
  Does not fit within the company's objectives, however site could be appraised as part of redevelopment of strategic holding to add value to the company either financially or assisting with regeneration.

- **Green**
  Fit for the purpose and objectives of company – Retain.

9.2.6 The Head of Estates stated that the disposal of the properties listed in the report could potentially generate a capital receipt of circa £9.7 million (with potential Agents and Solicitor’s fees payable for marketing and conveyancing of say 2%) of total revenue it was therefore proposed to Board that all capital receipts received would in the first instance:

i. Be used to clear the loan repayments against each individual property to reduce borrowing.

ii. Any additional profit (estimated to be circa £1.8million excluding any fees and tax) be ring fenced to be utilised against any future R&M or acquisitions to ensure the Company becomes more self-sufficient and less reliant on borrowing.

9.2.7 The Head of Estates went on to state that should Board approve the disposal rationale detailed in this report, Arch would look to procure Agents to market properties to obtain best consideration of the Assets as quickly as possible.
Various disposal methods would be appraised at this stage to ensure best value could be achieved.

9.2.8 The Head of Estates confirmed that following on from the initial piece of work in relation to identifying properties Arch were looking to dispose, Arch would look to retain those properties for disposal within the current company and look to transfer the properties to be retained directly into the NEWCO to allow ongoing management of the estate in an efficient and cost-effective manner.

9.2.9 The Head of Estates went on to confirm that following on from the transferring of Assets to the NEWCO, the Estate would follow up with a second piece of work which would identify a capital programme for the remaining Commercial and Residential Estate. This would look at all “life cycle components” of the Property Portfolio over a 20-year life cycle which would enable the Company to establish a notional budget and spending profile.

9.2.10 The Head of Estates stated that once capital programme had been established, work would be undertaken with Finance to look to interrogate various financial models to identify the best way to finance the capital works going forward to ensure the best price for the Company was obtained. Arch would then prepare a report to Board to obtain approval for spending and then look to implement.

9.2.11 The Board APPROVED the schedule of properties for disposal, subject to the sale meeting the optimum value and supported the principle of using capital receipts to pay off loans, reduce borrowing and to enable investment in the remaining buildings within the Arch Estate.

9.3 Business Case Development – Rural Innovation Centre

9.3.1 The Interim Executive Director of Business Support presented the proposal to progress an outline application for funding from North East Local Enterprise Partnership Innovation Project Development Fund to support the development of a full business case to create a Centre for Rural Innovation in Northumberland.

9.3.2 The Interim Executive Director of Business Support went on to explain that the Arch Economic Growth team has been exploring opportunities to increase knowledge-intensive business growth in Northumberland with the potential leverage Enterprise Zone incentives to support and encourage more knowledge intensive start-ups, growing companies and inward investors into rural Northumberland with a view to creating high value jobs in the rural economy.

9.3.3 The Interim Executive Director of Business Support confirmed that, working with the North East Innovation Super Network, Arch had subsequently identified an opportunity to fund the development of a full business case to explore in detail the viability of creating a nationally-significant, multi-discipline innovation centre.
focused on sustainable growth in rural settings, acting as a catalytic investment for Northumberland.

9.3.4 The Interim Executive Director of Business Support confirmed that the North East LEP’s Innovation Project Development Fund was now open to applications until 30th March 2018 and would provide a logical funding route to develop a full proposal for the Centre, including consulting with relevant local, regional and national stakeholders, particularly working through the Rural Growth Network. This would involve identifying successful models from elsewhere, to guide development, working up details of build costs, operating costs and full revenue model including potential follow on funding to support the development of the building.

9.3.5 The Interim Executive Director of Business Support went on to state that if successful in the application, the Innovation Project Development Fund would provide 50% of the cost with the remaining 50% split equally between Arch (25% to a maximum value of £25,000) and the North East Innovation Super Network, (requiring 25% to a maximum value of £25,000).

9.3.6 The Interim Executive Director of Business Support confirmed that the development of a Centre for Rural Innovation in Northumberland, located within a rural Enterprise Zone, would act as a critical investment with a direct strategic fit to local, regional and national opportunities which could also act as a source of follow on funding for the development of the Centre.

9.3.7 The Interim Executive Director of Business Support went on to confirm that the North of Tyne ‘minded to’ Devolution Deal included an innovation focus and a commitment to drive ‘improvements to rural growth and productivity and becoming a Rural Business Scale up Champion for England’. The proposed Borderlands Growth Deal could open up opportunities for investment and innovation in rural areas across northern England and southern Scotland.

9.3.8 The Interim Executive Director of Business Support stated that the North East LEP had developed a Strategic Economic Plan for the region that emphasised innovation as a particularly important component and was keen to develop new initiatives that supported innovation across the region with a focus on creating more and better jobs.

9.3.9 The following risks have been identified. A full risk management and mitigation plan would be implemented as part of the funding application process:

- Finance: If successful in the application process, the maximum cost to develop the full business case would be around £25,000. If unsuccessful, there was no direct financial cost to Arch other than staff resource. Longer term, based on any future funding to support site or building development, would require further consideration.
• Procurement: If successful in the application, Arch and The Innovation Super Network, would follow open, transparent and compliant procurement processes to bring in external expertise to support the project.
• State Aid: There were no known state aid implications if the application was successful. Longer term, based on any future funding to support site or building development, this would require further consideration.
• Legal: Post the development of any application for funding, Arch may need to consider a formal contract or JV agreement with Innovation Super Network (of which Arch is already member). This may negate any potential procurement of the Innovation Super network in the development of any application or follow on funding. Arch and Innovation Super Network would need to ensure any proposed procurement as part of the funding followed the correct and open procedure.

9.3.10 Following a discussion between Board members as to whether this was a matter for the Council or Arch to progress, it was agreed that the project had a strategic fit with the Business Growth and Investment team and had a greater chance of success if pursued by Arch. However, there would need to be close liaison with the Council to ensure that the project met both Council and Arch regeneration objectives.

9.3.11 The Board APPROVED that the application to the LEP should proceed and that a further report be brought back to a future meeting.

9.4 Company Policy Review

9.4.1 The Interim Executive Director of Business Support presented the report which would provide an update on the progress being made with the review of Arch Corporate Policies and to seek approval for the following policies;
• Standing Financial Instructions
• Financial Delegated Authority Policy

9.4.2 The Interim Executive Director of Business Support reminded the Board that following on from the strategic review of Arch, Directors of the Board had taken the decision to close the company and create a new company with greater focus on regeneration, place shaping and delivering for communities within Northumberland.

9.4.3 The Interim Executive Director of Business Support confirmed that the strategic review had identified a number of weaknesses across key areas of the business highlighting the requirement for a review of all Company Policies and Governance arrangements. Following the appointment of Robert Fraser, Interim Project Manager Policies and Governance, a thorough review of all Company Policies and Governance arrangements had ensued.
9.4.4 The Interim Executive Director of Business Support went on to confirm that to date, all existing policies had been reviewed and any gaps in policy and/or governance arrangements were understood and work had commenced on the creation and/or revision of Company Policies. Prior to these policies being brought forward to the Board for approval a rigorous review would be undertaken internally by a core group of employees. At this time the Standing Financial Instructions and the Financial Delegated Authority Policy were considered to be ready for approval by Board.

9.4.5 The Board considered and discussed the Standing Financial Instructions and the Financial Delegated Authority policy and asked for clarity and amendments on some points; namely

- Areas of responsibility-personnel and Payroll- ensuring only the Board can appoint the Chief Executive and Director of Finance

- Areas of responsibility – Security of assets, stocks and other property-clarification as to whether the disposal financial thresholds are at book or cash value

9.5 Audit Committee – Terms of Reference Paper for Consideration

9.5.1 The Interim Finance Director introduced the paper and explained that Arch’s Audit Committee had not met since the change of administration at Northumberland County Council and the change of composition of the Arch Board. During that period, some members of the previous Audit Committee ceased to be Directors of the Arch Group. It was recognised that the Audit Committee was a critical forum for effective governance and control of the business. With this in mind, the paper proposed a reconstitution of the Committee and an updating of its Terms of Reference.

9.5.2 The Interim Finance Director confirmed that the two main changes highlighted in the paper were;

- The introduction of Northumberland County Council’s Head of Internal Audit as a standing member of the committee.

- The requirement for an annual audit plan to be agreed with the Head of Internal Audit and for the Audit Committee to receive an annual audit opinion from the Head of Internal Audit.

There were a number of other smaller changes and updates but they did not materially change the function and purpose of the Audit Committee.

9.5.3 The Interim Finance Director went on to confirm that the key decision for Board to consider was who it wished to appoint to the Audit Committee.
9.5.4 The Interim Finance Director stated that Northumberland County Council's Head of Internal Audit had seen and approved the draft terms of reference. It was pointed out that an option was available to merge Arch's Audit Committee with the Council's Audit Committee. However, it was felt that it would be more appropriate for Arch to have its own Audit Committee focused solely on issues relevant to the business.

9.5.5 The Board AGREED that Arch would have its own Audit Committee and APPROVED the appointment of John Woodman, Jeff Reid and Chris Sayers to the Audit Committee with John Woodman appointed as Chair.

9.6 Purchase of Silverton House

9.6.1 The Head of Investments introduced the proposal and Board agreed that a formal approval report would be brought to the March Board meeting.

10.0 Project Updates

10.1 Portland Park

10.1.2 The Head of Investments introduced the update and confirmed that the recent public consultation had been well received with a cinema offer proving very popular.

10.1.3 The Head of Investments confirmed that following the public consultation a study had been commissioned to test whether the demographic of the surrounding area would be favourable to a Cinema offer.

10.1.4 The Head of Investments stated that this study had supported the cinema offer and that the next stage would be to prepare a prospectus that would go out to the Cinema operator market by May 2018.

10.1.5 Following a question from Cllr Peter Jackson the Head of Investments confirmed that parking provision at Portland Park would be key and would be considered carefully going forward.

10.2 Bunker Site, Hexham

10.2.1 The Head of Investments gave an update on the Bunker Site at Hexham.

10.2.2

10.3 Amble

10.3.1 The Head of Investments gave an update on Amble.
10.4 Carillion Construction Ltd/Ashington Leisure Centre Contract

10.4.1 The Director of Commercial & Infrastructure gave an update on the Carillion Contract confirming that Arch were currently in discussion with Ashington Leisure Centre regarding a number of remaining defects within the building.

10.4.2 The Director of Commercial & Infrastructure confirmed that, as part of the professional indemnity insurance taken out with Carillion, the retaining bond would be used to cover the corrective work in the first instance and then recovered by legal process.

10.5 Devolution/Transition Plan

10.5.1 The Interim Director of Business Support updated the Board on the progress to date on the creation of the new company.

10.5.2 A core Transition Team was in place and are supporting key components of the change process, including policy development, brand review and HR matters. This team will be augmented where necessary with support from the Council and other posts within Arch.

10.5.3 Critical to moving the transition forward was the appointment of technical, financial and tax advisers, which was the subject of procurement exercise. The brief for this work has split the work into key stages, the initial stage being an options appraisal to identify the most suitable structure for the new company which will minimise tax and CGT issues. In addition, there would be a need to engage legal and communications advisors. The Councils Head of Communications Ann Bridges joined was supporting Alex Wiley in the Brand and Communications work and joined the meeting to share her views on the name of the company.

10.5.4
and domain. Each name would be subject to a further review by appointed
Brand Consultants, before the definitive name is chosen.

The Board:

APPROVED the matching of the Arch staff pay ward to that given by
Northumberland County Council to its employees (noting that this was expected
to be 2% for 2018-19).

DID NOT APPROVE, at this present time, to add the Interim Executive Director
of Business Support to the Power of Attorney's for Arch's four companies.

DID NOT APPROVE, at this time, to allow the Interim Executive Director of
Business Support to have the equivalent signing powers to the Chief Executive
for the period of his interim role within Arch.

AGREED the request to proceed with a new line of enquiry and proposed offer
for The Mailing House, Cramlington.

REQUESTED a formal report on the Section 106 grant application between
Arch and NCC.

AGREED the development proposal for 41 homes at Commissioners Quay,
Blyth with a development investment [redacted] which would generate an
anticipated return [redacted] were revised.

AGREED that the Development Director would provide a virtual approval paper
due to timing issues for the formation of a management company for Empire
Court, Whitley Bay which would reflect those previously agreed at Wayside
Point, Ellington and The Maltings, Alnwick.

The Board APPROVED the schedule of properties for disposal, subject to the
sale meeting the optimum value and supported the principle of using capital
receipts to pay off loans, reduce borrowing and to enable investment in the
remaining buildings within the Arch Estate.

APPROVED to delegate the ability to approve all satisfactory offers of sale
subject to sale price being at least current capital value to Arch Chief
Executive.

AGREED TO the Head of Estates bringing forward a supplementary report with
regard to proposed capital programme and future management of retained
portfolio for the NEWCO along with financial modelling proposals to finance
works.
NOTED the contents of the Business Case Development for the Centre of Rural Innovation report and APPROVED the progression to full application of funding from North East Local Enterprise Partnership Innovation Project Development Fund to support the development of a Centre for Rural Innovation in Northumberland with a further report to come back to a future meeting. 

APPROVED the Standing Financial Instructions Policy subject to one amendment requested by Board. 

APPROVED the Financial Delegated Authority Policy, subject to changes on the delegation limits as requested by Board. 

AGREED that the revised Terms of Reference could form the basis for the re-constitution of Arch’s Audit Committee. 

The Board AGREED that Arch would have its own Audit Committee and APPROVED the appointment of John Woodman, Jeff Reid and Chris Sayers to the Audit Committee with John Woodman appointed as Chair.

12.0 Any Other Business 

12.1 There were no matters brought to the meeting under Any Other Business. 

12.2 The Chairman thanked the Board for their attendance and closed the meeting at 17:05

.................................................. CHAIRMAN

23rd February 2018