



## Arch Board Minutes

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**Date/Time**

Friday 23<sup>rd</sup> March 2018  
1:00pm – 3:30pm

**Venue:**

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

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**In attendance:**

Cllr Richard Wearmouth (part)  
Cllr Peter Jackson (part)  
Cllr Wayne Daley  
Cllr Jeff Reid  
John Woodman

Arch Chair  
Leader NCC  
Deputy Leader, NCC  
Leader of Liberal Democrat Group

**Present:**

Ken Dunbar

Arch Interim Executive Director of  
Business Support

Neil Bradley

NCC Finance Director/Arch Interim  
Finance Director

Daljit Lally (part)

Arch Personal Assistant

Kelly Angus

NCC Chief Executive

Kim Grant (Minutes)

NCC HR Director

**Part:**

Duncan Bowman

Arch Development Director

Michael Black

Arch Head of Investments

Lee Farrier

Arch Head of Estates

Pam Robertson

Arch HR Manager

**Apologies:**

Chris Sayers

Chair of the Board of Governors,  
Northumbria University

Allison Joynson

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





## **1.0 Welcome and Introductions**

- 1.1 Due to the late arrival of the Chairman Cllr Wayne Daley was proposed and seconded as Interim Chairman. The Interim Chairman went on to welcome the attendees to the meeting.

## **2.0 Apologies for Absence**

- 2.1 The Interim Chairman reported that there had been apologies for absence from Chris Sayers and Allison Joynson.

## **3.0 Declarations of Interest**

- 3.1 Cllr Jeff Reid declared an interest (along with other members of NCC Executive team) regarding Silverton House. Cllr Peter Jackson declared an interest with regard to Ashwood Business Park LEP funding. The Interim Chairman declared that he had been a governor at St. Paul's School, Cramlington and that his children had attended St. Paul's in the past. Ken Dunbar declared an interest with regard to Active Northumberland and Ashington Leisure Centre.
- 3.2 Cllr Richard Wearmouth joined the meeting and took over the Chairman position from Cllr Wayne Daley.

## **4.0 Minutes of Previous Meetings**

- 4.1 The minutes of the previous meeting held on the 23<sup>rd</sup> February 2018 were reviewed and **AGREED** as an accurate record of proceedings with one minor amendment to point 8.6 within the Finance report.

## **5.0 Matters Arising**

- 5.1 The Arch Interim Director of Business Support confirmed that Ashington Community Football Club recharges were still being pursued and some snagging issues with the building were still be to addressed.
- 5.2 The Arch Interim Director of Business Support confirmed that, with regard to the Property Lettings/Disposal proposal, discussions were still ongoing concerning Durham Workspace.
- 5.3 The Arch Interim Director of Business Support went on to confirm that the deadline for the application for the Rural Innovation Centre was the 30<sup>th</sup> March 2018. This was proceeding well and would be completed in time for the LEP funding target.

## **6.0 Health & Safety**

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

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;

- Ashington Leisure Centre glass panel failure on the first floor. Video evidence captured the incident and Arch are currently working with the glass supplier to inspect the remaining glass installations of this type within the building with a report to be submitted to the Arch team. Review currently ongoing and other projects will be examined pending the review outcome.
- Dismissal from construction site of a bricklayer for not complying with PPE requirements.
- It had been identified by the Arch estates department that ACFC 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.
- Health & Safety concerns regarding Bedlington Old School are being referred to the Site Manager, NB Clark for immediate rectification.

## 7.0 Human Resources

7.1 The HR Manager presented the HR Report.

7.3 The HR Manager stated that the current headcount within Arch at 28<sup>th</sup> February 2018 was 132, 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 would be rolled out in April with a view to implementing testing three months after completion of communications programme.

7.5 The HR Manager confirmed that the recently issued Staff Survey had achieved a 97% return rate (previous survey 77.5%). The results of the survey were not surprising given the prevailing situation within the business. A working group made up of employee forum and SLT members had been formed to agree and take forward an action plan for communication to staff. This would be in place prior to the next Board meeting in April 2018.

7.6 The HR Manager went on to confirm that the Employee Forum meeting met on the 6<sup>th</sup> March 2018. Focus was on consultation, reward and recognition and staff survey.

- 7.7 The HR Manager confirmed that work currently ongoing to the Modern Slavery and DBS policy and that drafts of these would be presented at future Board meetings.
- 7.8 The HR Manager stated that initial proposals on the change of the pension scheme to a salary exchange scheme had been received and discussed with employee forum members and would be considered by SLT before a decision was made.
- 7.9 The HR Manager confirmed that the Company had received the Better Health at Work Gold Award and that Stephanie Gilpatrick was named Health Advocate of the Year for Northumberland.
- 8.0 **Financial Update**
- 8.1 The Interim Finance Director presented a Medium Term Financial Plan Paper for Consideration.
- 8.2 The Interim Finance Director confirmed that the Paper set out the overall medium term financial plan for the Arch Group and its individual companies for the next three years. It also showed the latest forecast position for the current financial year.
- 8.3 The Interim Finance Director went on to confirm that the forecasting within the plan took account of the following issues and assumptions:
- The plan included all Board approved schemes up to and including January 2018 Board,
  - There was no forecast asset growth within the portfolio, other than known schemes already approved by Board,
  - The plan assumed a continuation of the current staffing structure within the organisation and any known additional posts to be established as at January 2018,
  - The plan included any issues or outcomes from the closure of the 2016/17 accounts, that continued into future years
  - The plan included updates to budgets informed by the 2017/18 monthly budget monitoring cycle and 2017/18 probable outturn forecasts,
  - The plan used the latest Ascent Homes sales forecasts on approved schemes and assumptions for sales on a pipeline of schemes yet to be approved on the basis of delivering 150 units per year over the period of the plan,
  - It was assumed that the £1m charitable contribution to Active Northumberland continued over the period of the plan, however it was recognized that a review of Arch's overall sponsorship had still to be completed,
  - The plan assumed the continuation of the delivery of the Economic Growth function, securing grant funding and use of approved match funding.

- The plan accounted for an assumed residential rent increase for 2018/19 as set out in a separate report being provided to Board and 1% thereafter. It assumed 0% garage rent increase (both subject to approval),
- The plan took into account a cost of living pay award matched to NCC pay award (subject to approval), the figures were 2% in 2018/19 and 1% thereafter,
- The plan assumed that the Fixed Ratio Rule would have no impact on the Group. The final written assessment of the full impact and potential for exemptions is still awaited from Arch's auditors Ernst & Young, however, verbal discussion with the auditors had indicated that full exemptions should be available to all the companies in the group.
- The plan assumed no dividend payment to Northumberland County Council over the period of the Medium Term Financial Plan.

8.4 The Interim Finance Director stated that the Medium Term Financial Plan did not include the following;

- Any assumptions about disposal of assets or acquisitions beyond those already approved by Board,
- Any costs linked to the transition to a new company other than 3 known posts, which are assumed to be in place for the whole MTFP. The plan included costs already incurred linked to the Strategic Review,
- The potential for Capital Allowances recovery on Manor Walks and Westmorland [REDACTED],
- The financial implications of any schemes that were not currently approved by the Arch Board.

8.5 J Woodman enquired as to whether 150 units per year for the duration of the plan was a realistic assumption for Ascent Homes.

8.6 The Interim Finance Director stated that this was realistic dependent upon the pipeline of land.

8.7 J Woodman enquired as to whether Economic Growth could be shown as a separate income stream.

8.8 The Interim Finance Director confirmed that this would be shown separately in future reports.

#### **The Board:**

8.9 **ACCEPTED** the information with the Medium Term Financial Plan as the latest forecast financial position for the Arch group of companies for the period 2017/18 to 2020/21.

8.10 **NOTED** the financial position particularly of Arch (Commercial Enterprise Ltd) over the period of the Medium Term Financial Plan.

- 8.11 **APPROVED** the continuation of the £1m per annum charitable contribution to Active Northumberland in the context of the Medium Term Financial Plan.
- 8.12 **CONSIDERED** the appropriateness or otherwise of payment of a dividend to the shareholder (Northumberland County Council) – decision pending.
- 9.0 Policies for Approval**
- 9.1 Standards of Business Conduct & Ethical Standards Policy & Conflict of Interest and Declarations Policy**
- 9.1.1 The Interim Executive Director of Business Support presented the Policy for consideration.
- 9.1.2 The Interim Executive Director of Business Support reminded the Board that arising from the Arch Strategic Review there was a need for an extensive review of Arch policies to ensure there were fit for purpose.
- 9.1.3 The Interim Executive Director of Business Support confirmed that the Business Conduct and Ethical Standards Policy and the Conflict of Interest and Declarations Policy were two policies which were being introduced to address governance and policy issues highlighted in the Strategic Review. Both were considered to be of high priority.
- 9.1.4 Cllr Jeff Reid commended that the way the policies were written were very “masculine” and felt that the references to “he” should be altered to “they”.
- 9.1.5 The Interim Executive Director of Business Support confirmed that these changes would be made to the two Policies.
- 9.1.6 John Woodman enquired as to whether there was a separate policy for Board members.
- 9.1.7 The Interim Executive Director of Business Support confirmed that the definitions would be altered to say Directors and Employees.
- The Board:**
- 9.1.8 **APPROVED** the Standards of Business Conduct and Ethical Standards Policy
- 9.1.9 **APPROVED** the Conflict of Interest and Declarations Policy
- 10.0 Project Approvals**
- 10.1 Purchase of Silverton House, Cramlington**

- 10.1.1 Cllr Peter Jackson left the meeting.
- 10.1.2 The Head of Investments presented the proposal for the purchase of Silverton House confirming that Northumberland County Council (NCC) and Newcastle City Council had agreed to a shared service that would combine staff across both organisations providing revenues and benefits and transactional finance services. The agreed location for the shared services was within Northumberland and following an assessment of available office accommodation, Silverton House had been identified as the preferred option.
- 10.1.3 The Head of Investments stated that Silverton House was located on Northumberland Business Park, Cramlington. It comprised a three-storey office building, with 25,500 sq ft of internal space and 118 designated car parking spaces.
- 10.1.4 The Head of Investments confirmed that the proposal was for Arch to acquire the property and subsequently lease to NCC [REDACTED]. Draft Heads of Terms were currently being agreed with NCC.
- 10.1.5 [REDACTED]
- 10.1.6 The Head of Investments stated that the purchase would be subject to:
- Satisfactory formal RICS valuation
  - Building Survey
  - Satisfactory title and purchase contract
- In addition, a Building Consultant had been appointed to monitor and approve the tenants fit out works.
- 10.1.7 The Head of Investments confirmed that the acquisition of the property and all fit out works were to be completed by August 2018 to provide NCC with a turn key office building, ready for immediate occupation by the shared service.
- 10.1.8 Cllr Jeff Reid raised a concern regarding the number of car parking spaces available on the site.
- 10.1.9 The Head of Investments confirmed that car parking and a traffic plan would be reviewed as part of the valuation.
- The Board:**
- 10.1.10 **APPROVED** the sum [REDACTED] for the purchase of Silverton House, Cramlington, comprising 25,500 sq ft of office accommodation to deliver office

accommodation for Northumberland County Council and Newcastle City Council shared service. Purchase subject to an agreement for lease being entered into between Arch and Northumberland County Council [REDACTED]

10.1.11 **DELEGATED** completion of the purchase to the Arch Chief Executive subject to satisfactory due diligence activities being concluded relating to property valuation and building survey.

## 10.2 **Purchase of Ashwood Business Park, Ashington**

10.2.1 The Head of Investments and the Interim Head of Economic Growth presented the proposal for the acquisition of Ashwood Business Park to support the Northumberland Enterprise Zone programme, attract North East Local Enterprise Partnership investment and improve the development capability and performance of this key asset.

10.2.2 The Interim Head of Economic Growth reminded the Board that Ashwood Business Park (ABP) was a significant employment site located on the A189 (Spine Road) at the junction leading to North Seaton. Originally developed by One North East in 2006, the park comprised a gross area of 105.19 acres. Despite some early success, commercial interest in ABP had waned and currently around 46 acres was vacant.

10.2.3 The Interim Head of Economic Growth confirmed that, in 2015, ABP was one of three Northumberland sites awarded Enterprise Zone (EZ) status. Working jointly with NCC and the North East Local Enterprise Partnership (NELEP), Arch was leading on an investment delivery plan to acquire, improve and upgrade the site.

10.2.4 The Interim Head of Economic Growth went on to confirm that, due to the unique nature of this public-sector partnership, the site offered limited risk to Arch as key elements relating to ownership, infrastructure and ground conditions were mitigated through NELEP and NCC funding. As with other EZ sites, the NELEP provided funding to undertake infrastructure and any ground remediation works. The NELEP then recovered this investment through business rates retention from new lettings and development generated on ABP over the next 25 years.

10.2.5 [REDACTED]



10.2.6 The Head of Investments confirmed that due diligence was well advanced and Arch had commissioned the following reports and studies to support the purchase:

- Report on title
- RICS valuation report
- Masterplan and market demand study

In addition, the vendors have provided historic site information relating to ground conditions, utilities and other physical factors relating to development capability. This includes a geotechnical and geo-environmental desk study carried out in 2015 by Arup.

10.2.7

[REDACTED]

10.2.8 The Interim Head of Economic Growth stated that one of the key tasks within the market demand study was to calculate the level of NELEP payback from business rates generated on the site over the 25-year period. Current analysis from the study predicted the following outcomes:

- 43,790 m2 of new commercial floorspace;
- 851 jobs;
- The attraction of 11 new businesses;
- The expansion of 6 business on site; and
- The generation of £8.99m of business rates.

If these ambitious targets were to be achieved, a step change in the marketing and promotion of ABP would be required. It was anticipated therefore that upon acquiring ABP, there would be a complete refresh of the brand with the site promoted at both regional and national level. [REDACTED]

10.2.9 The Interim Head of Economic Growth confirmed that the site was currently occupied by three commercial interests:

- AkzoNobel – a hi-tech paint processing facility which cost more than £100m, the largest of its type in the world,

- The Bernicia Group – headquarters for a business that provides more than 8000 homes throughout the North East of England with almost 6000 located in South East Northumberland.
- Birchwood – an Arch owned industrial estate comprising approximately 40,000 sq ft of commercial space and fully let.

10.2.10 The Head of Investments stated that the existing electricity supply on ABP had been exhausted by AkzoNobel. This was in direct breach of their lease agreement. However, this was allowed by the HCA to support the development of the facility. In recognition of this breach, AkzoNobel had agreed to pay a capital contribution [REDACTED] toward a new substation which would be paid over to Arch upon completion. It was anticipated that any new development on the site would require a new substation. The costs to deliver this form part of the infrastructure costs and should be eligible for funding from the NELEP.

10.2.11 The Head of Investments summarised that ABP was a significant commercial asset that, despite a lack of recent investment, had an opportunity to become a major employment site for Northumberland. Following the award of Enterprise Zone status, and with the benefit of NELEP funding, Arch and NCC had the opportunity to deliver a high quality, contemporary business park that, if successful, could bring an additional 470,000 sq ft of commercial development in to create over 800 jobs.

10.2.12 Cllr Peter Jackson returned to the meeting.

#### **The Board:**

10.2.13 **APPROVED** the acquisition of Ashwood Business Park, [REDACTED] [REDACTED] to support the Northumberland Enterprise Zone programme, attract North East Local Enterprise Partnership investment and improve the development capability and performance of this key asset.

#### **10.3 2<sup>nd</sup> Phase Cinema Study, Portland Park**

10.3.1 The Head of Investments presented the proposal to obtain funding [REDACTED] for the marketing and promotion of Portland Park.

10.3.2 The Head of Investments reminded Board that the Portland Park site was located in the centre of Ashington and had been carefully assembled by Arch over a number of years to provide a catalyst for redevelopment and regeneration.

10.3.3 The Head of Investments confirmed that the early phases of development on Portland Park had already made a significant impact on the town centre, transforming what was formerly a disparate and impermeable series of property

interests into a new highway network and creating the site for Ashington Leisure Centre.

- 10.3.4 The Head of Investments reminded the Board that following the cancellation of the NCC headquarters building in May 2017, Arch were asked to explore a number of alternative uses for Portland Park. Fundamental to this approach was active engagement with the community to make sure local people had a say on what could be developed on the site. The public consultation event that followed was part of a process that gave a clear preference for a cinema/theatre on Portland Park.
- 10.3.5 The Head of Investments confirmed that, to progress the theme, Arch had commissioned a feasibility study to establish operator demand and the appetite of the market for a cinema led development. The study concluded that “with a carefully considered business plan, Arch should be able to engage with operators to provide a sustainable, high quality cinema operation”.
- 10.3.6 The Head of Investments went on to confirm that, building upon this initial analysis, the next stage of the process was the preparation of marketing and promotional information to present Portland Park to market. This would be completed by May 2018. Once approved and completed the intention was to engage with selected cinema operators and other sectors of the commercial market with the aim to establish formative interest by June 2018.
- 10.3.7 The Head of Investments stated that Arch was to progress the preparation of an outline planning application for Portland Park that, should demand be proven, would incorporate a cinema as part of a comprehensive mixed-use development to include retail and leisure. Further public consultation would follow as part of this process.

#### **The Board:**

- 10.3.8 **NOTED** the outcome of the Portland Park public consultation event held by Arch and Northumberland County Council in September 2017.
- 10.3.9 **NOTED** the Ashington Cinema Study commissioned by Arch following the consultation.
- 10.3.10 **APPROVED** the funding [REDACTED] for the marketing and promotion of Portland Park.

#### **10.4 St. Paul’s School, Cramlington**

- 10.4.1 The Development Director presented the updated proposal for demolition and associated costs at St. Paul RC Primary School, Cramlington.

- 10.4.2 The Development Director reminded the Board that the proposal to demolish St Paul's school had previously been approved by the Board subject to further approval to costs, which was to be obtained by way of a virtual approval to ensure timely progress. The reason for this was, at the time of these works, early tender returns had been received which indicated the budget presented may not be sufficient. Therefore, it was agreed that costs would be approved virtually once the definitive demolition costs at St Pauls, Cramlington had been established through the conclusion to the procurement process. This was concluded however, due to the time it had taken for the Catholic Diocese (who were underpinning these costs) to confirm approval, this update had now been prepared to consider at Board as a virtual approval would gain no programme advantage.
- 10.4.3 The Development Director confirmed that there was an additional request for a provisional sum for a temporary construction access road. Arch had been approached by the local Ward Councillor to see if there were options to access this site from an alternative access point through a piece of NCC Land which abuts a main highway in Cramlington. This avoided the need to go through the existing estate whose roads were already in a state of disrepair.
- 10.4.4 The Development Director stated that, whilst such proposals would always be considered, a strategic and commercial judgement must be made. However, following review, Arch believed that it does indeed bring advantage to Arch in buildability, health and safety and also potential future development gain. The piece of land lies immediately adjacent to St. Paul's.
- 10.4.5 The Development Director confirmed that the advantage of utilising this access from an Arch perspective was that it virtually removed the need for construction vehicular access through the existing estate, which would remove the disruption to residents, any damage repair costs to the existing estate road and naturally segregates Arch's access way from the estate bringing Health and Safety advantage.

**The Board:**

- 10.4.6 **APPROVED** funds [REDACTED] to complete the asbestos removal and demolition works and access the site through NCC land avoiding the existing estate, [REDACTED].

**11.0 Project Updates**

**11.1 NCC's Call for Sites**

- 11.1.1 Cllr Jeff Reid declared an interest with regard to the LDF panel.

- 11.1.2 The Development Director presented the paper to update the Board on Arch's response to NCC's Call for Sites in preparation for the new local plan.
- 11.1.3 The Development Director reminded the Board that Northumberland County Council was preparing a Local Plan for the County, covering the period 2016 to 2036. The Plan would allocate a range of sites for development to meet the requirements for future growth.
- 11.1.4 The Development Director stated that to support this work the Council had invited submission of sites for consideration that may be appropriate for allocation for residential development (or other uses). The following residential sites had been suggested by Arch which were all a mix of affordable and market housing and a number of which would be taken forward in partnership with third party developers/RP's:

[REDACTED]

- 11.1.5 The Development Director confirmed that Arch were also in discussions on other sites for residential development where the vendor had submitted the sites for consideration:

[REDACTED]

- 11.1.6 The Development Director went on to confirm that in addition the investment team had submitted:

- [REDACTED]

11.1.7 The Development Director concluded by confirming that NCC had suggested the forward timetable as below in which Arch's sites would be considered. It was likely that Arch would take sites forward prior to the full adoption of this documentation to underpin the forward delivery targets.

- Initial consultation - Spring 2018
- Consultation on draft Local Plan - Summer 2018
- Publication - Winter 2018
- Submission - Summer 2019
- Adoption - Summer 2020

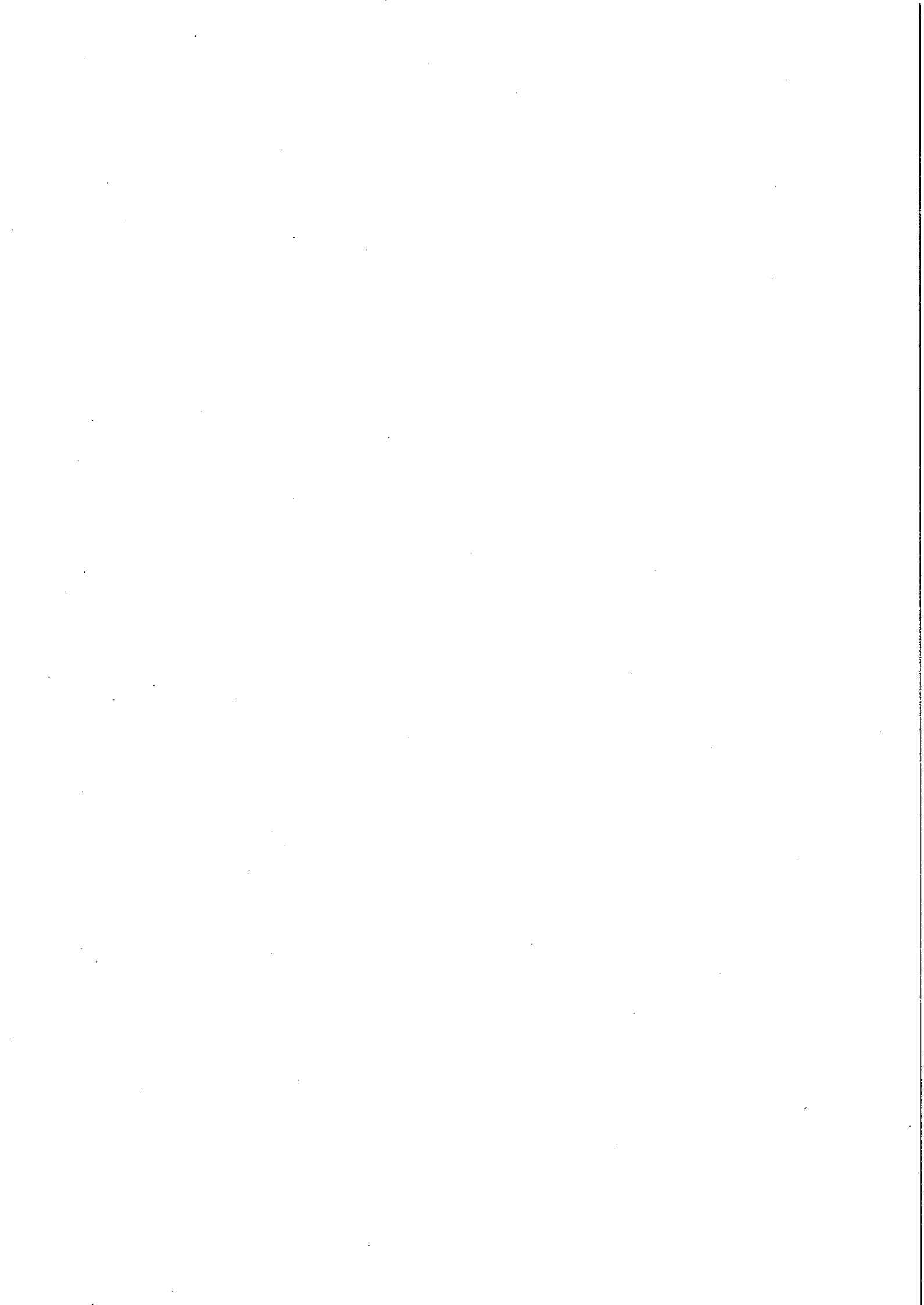
## 11.2 **Bedlington Town Centre**

11.2.1 The Head of Investments gave a verbal update confirming that Legal documentation on the scheme was progressing and agreement had been reached with [REDACTED] on their scheme in terms of the contract. The land sale to [REDACTED] would be presented to Board in April.

NCC's Chief Executive and HR Director joined the meeting.

## 12.0 **Transition Plan Update**

- 12.1 The Interim Executive Director of Business Support presented an update;
- PWC has been appointed to provide the first stage report in accordance with the procurement exercise. This report will be presented at the next meeting of the Board and should enable a decision to be taken about the most cost-effective approach to transitioning to the new company.
  - Branding and Marketing Consultants will also be appointed, following a procurement exercise to enable a new brand design and plan to be developed
  - A procurement exercise will be undertaken for legal advisors which, subject to the recommendations set out in the PWC report, should be a considerably cheaper than initially estimated.
  - Staff Team briefings have continued and arrangements are in place to talk to key stakeholders in the region



- 12.2 John Woodman enquired as to what was the regeneration group, this was confirmed as NCC and that the direction of Arch would be steered by this group.
- 12.3 The Chairman stated that the regeneration group had attempted to get a list of all schemes across the County to understand the full picture.
- 12.4 The Chairman confirmed that, in terms of audit, John Woodman had met with Allison Mitchell (NCC Chief Internal Auditor) who had prepared an outline of an audit strategy. A meeting would be held in April to review.
- 12.5 John Woodman asked whether there was a sense of timing to Arch's delivery of Strategy from the Investment group?
- 12.6 The Chairman stated that some things were required to go to Cabinet and that he would like that to happen before the next full Council meeting.
- 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 15:24



CHAIRMAN

23<sup>rd</sup> March 2018