



## Arch Board Minutes

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**Date/Time**

Friday 25<sup>th</sup> May 2018  
1:00pm – 3:30pm

**Venue:**

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

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**In attendance:**

Cllr Richard Wearmouth  
Wayne Daley  
Chris Sayers

Arch Chair  
Deputy Leader NCC  
Chair of Board of Governors, Northumbria  
University

**Present:**

Ken Dunbar  
  
Neil Bradley  
  
Kim Grant (Minutes)

Arch Interim Executive Director of  
Business Support  
NCC Finance Director/Arch Interim  
Finance Director  
Arch Personal Assistant

**Part:**

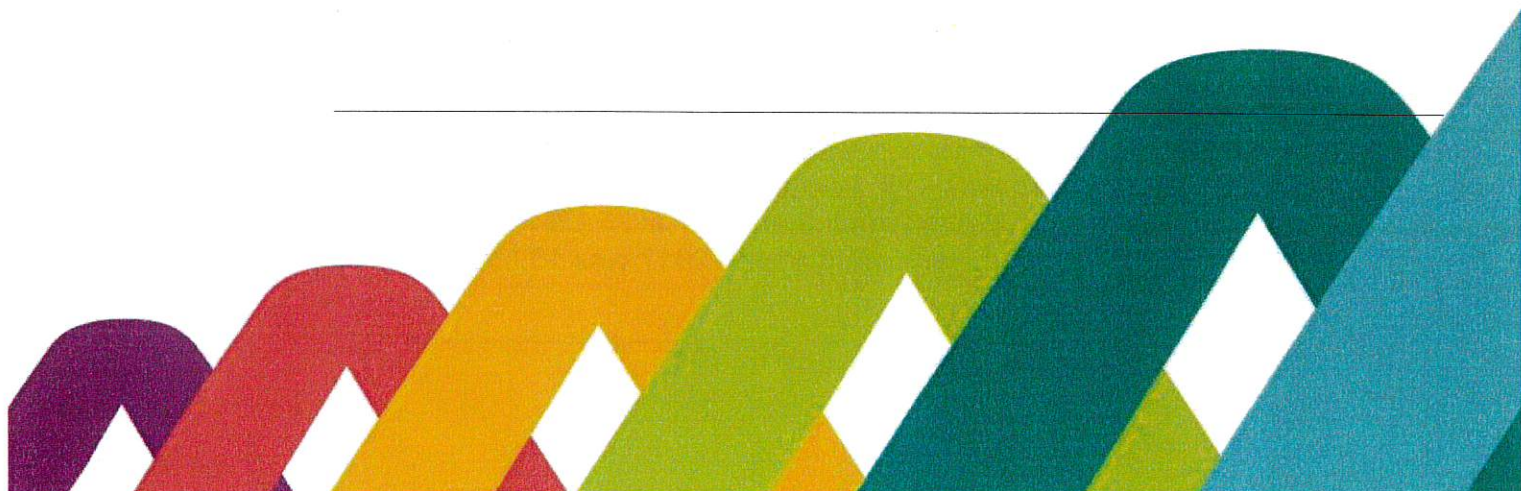
Duncan Bowman  
Michael Black  
Pam Robertson  
Lee Farrier  
Paul Littlefair  
Anne Bridges

Arch Development Director  
Arch Head of Investments  
Arch HR Manager  
Arch Head of Estates  
Arch Projects Director  
NCC Head of Communications

**Apologies:**

Cllr Peter Jackson  
Cllr Jeff Reid  
John Woodman  
Daljit Lally

Leader NCC  
Leader of Liberal Democrat Group  
  
NCC Chief Executive





## **1.0 Welcome and Introductions**

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

## **2.0 Apologies for Absence**

2.1 The Chairman reported that there had been apologies for absence from Cllr Peter Jackson, Cllr Jeff Reid, John Woodman and Daljit Lally.

## **3.0 Declarations of Interest**

3.1 There were no declarations of interest.

## **4.0 Minutes of Previous Meetings**

4.1 The minutes of the previous meetings held on the 27<sup>th</sup> April 2018 and the 4<sup>th</sup> May 2018 were reviewed and **AGREED** as an accurate record of proceedings.

## **5.0 Matters Arising**

5.1 The Interim Executive Director of Business Support stated that the Commissioners Quay Inn at Blyth had received a good valuation and approval to move work forward towards disposal.

## **6.0 Health & Safety**

6.1 The Interim Finance Director ran through the Health & Safety report by exception and confirmed that it had been a good month with no red risks.

6.2 The Interim Finance Director brought to the Board's attention that a large number of Health & Safety Policies would be being brought to future Board meetings for the review and approval.

6.3 The Interim Finance Director confirmed that a review of the in-house training matrix was being undertaken in earnest by HR and Departmental Managers.

## **7.0 Human Resources**

7.1 The HR Manager presented the HR Report.

7.2 The HR Manager stated that the current headcount within Arch at 30<sup>th</sup> April 2018 was 128, labour turnover for the year ending 31<sup>st</sup> March 2018 was significantly higher than 2017 at 25.1% (32 leavers). The comparable data for the year ending March 2017 was 13.5% (15 leavers).

- 7.3 The HR Manager confirmed that the sickness absence rate for the year ending 31<sup>st</sup> March 2018 was 798 days absence which equated to 6.28 days per person. The comparable data for the year ending March 2017 showed absence rates at 626.5 days equating to 4.89 days per person.
- 7.4 The HR Manager stated that recruitment was ongoing with 7 live vacancies and the expectation of approval of a further 2 posts.
- 7.5 The HR Manager stated that the NCC learning and development training portal was now live with mandatory training only. These were Fire Safety, DSE, Lone Working, GDPR, Equality and Diversity, Health & Safety and Stress Awareness.
- 7.6 The HR Manager went on to state that the programme of management training sessions was ongoing and included;
- Attendance Management
  - Recruitment and Induction
  - Employment Law
  - Performance Management
  - Managing Poor Performance
  - Managing Disciplinary and Grievance Hearings
- 7.7 The HR Manager confirmed that Arch were working with Northumberland College on a Training Needs Analysis solution for the business.
- 7.8 The HR Manager confirmed that she was part of the transition group working on the project plan for the move to the new company. Employee Forum representatives would take on the consultative role for this change as required.
- 7.9 The HR Manager confirmed that the Employee Forum meeting had been held on the 21<sup>st</sup> May 2018 and had reviewed the 13 nominations for the Reward and Recognition award. [REDACTED]
- 7.10 The Chairman requested that the HR Manager pass on the Board's congratulations [REDACTED].
- 7.11 Chris Sayers, commenting on the increase in labour turnover figures from year, asked the HR Manager whether she felt the rate was likely to settle back down.

7.12 The HR Manager commented that she felt the rate would settle down once the transition to the new Company was completed.

7.13 The Interim Finance Director commented that his observation would be that we could expect a degree of turnover even when the new Company was established as it was a predominantly young workforce.

## **8.0 Financial Update**

8.1 The Interim Director of Finance presented a financial overview and draft final accounts for the Board's consideration.

8.2 The Interim Director of Finance stated that included in the Board pack were copies of the draft final accounts which had been passed to the Company's external auditor to begin the audit process. The headline figures were virtually unchanged from the provision outturn position that the last Arch Board received a briefing about on 27<sup>th</sup> April 2018, subject to the revaluation adjustments that the Board were told about at the same meeting.

8.3 The Interim Director of Finance confirmed that the last forecast budget position reported to board in March was expecting an overall £1.9m pre-tax surplus for the Group (excluding revaluation adjustments). This was around £1.2m short of the original level of surplus set out in the 2017-18 Medium Term Financial Plan. The main reasons for the expected variation from plan were that a number of schemes which were either put on hold or stopped following the change in administration combined with some significant voids in Commercial during the year.

8.4 The Interim Director of Finance went on to confirm that the provisional outturn position reported to Board in April was improved to a £2.6m pre-tax surplus, which was £0.7m from the original financial plan. The figure that had gone to auditors in the accounts is slightly improved again by around £100k due to a number of smaller late items and accruals being added into the position.

8.5 The Interim Director of Finance stated that the main areas of improvement in the position between the two sets of figures reported to Board were due to:

- An increase in Manor Walks and Westmorland revenue (£200k) above projection;
- Lower than predicted void maintenance in Arch Housing (£127k);
- Lower than expected expenditure in Arch Commercial RGN and

## Business Northumberland (£115k)

- A lower than expected level of final expenditure in Arch Commercial Building and Premises (£131k)
- Expenditure being lower than expected across a number of budgets within General Overheads (£127k)

- 8.6 The Interim Director of Finance reminded the Board that they were further briefed in April on the impact of the revaluations of assets that had been received from the new valuer, PNB Parabas. Accounting rules now mean that all changes effectively end up as a notional hit to P&L (positive and negative) although in reality the gain or loss is not realised until the assets are disposed of. Following advice from the external auditor, the way this worked through Arch's accounts was that most of the negative adjustments hit the P&L unless there was a previous positive adjustment to offset against this movement. However, positive adjustments were still taken to the revaluation reserve.
- 8.7 The Interim Director of Finance confirmed that in Housing the overall impact of revaluation was a small increase in the value of the portfolio of around £35k. However, due to the accounting treatment mentioned above, there was a hit to P&L in Housing of £460k offset by a larger increase in the revaluation reserve.
- 8.8 The Interim Director of Finance went on to confirm that in Commercial there was a genuinely more significant reduction in the value of assets of just under £9m.
- 8.9 John Woodman urged the Directors to communicate an explanation around the revaluations in advance of the transition to the new Company.
- 8.10 Chris Sayers was in agreement and stated that he would be less comfortable with revaluations being done as a rebranded Company.
- 8.11 The Interim Director of Finance stated that there had been a few minor changes in figures within the accounts between the information being passed to Board last month and the submission of the accounts to the auditors for review. However, none of these were a material adjustment to the position reported to Board.
- 8.12 The Interim Director of Finance confirmed that the following accounts are not included in the pack for the highlighted reasons:
- Arch (Financial Services) Limited – *very minimal transactions and do not require an audit*
  - Arch (DigEco) Limited – *Dormant*

- Northern Coalfield Property Company Limited – *Dormant*
- Wansbeck Life Limited – *Dormant*
- SLJH Limited – *Only currently holds investment in Jesmond JV*

## **The Board:**

8.13 **NOTED** the draft accounts and would await the outcome of the audit process in relation to those accounts.

## **9.0 Policies for Approval**

9.1 The Interim Executive Director of Business Support confirmed that there were no Policies for Approval being brought to the Board this month.

## **10.0 Project Approvals**

### **10.1 Arch Commercial Asset Review**

10.1.1 The Interim Director of Finance, The Head of Investments and the Head of Estates presented the Arch Commercial Asset Review list for discussion.

10.1.2 There was line by line examination of the portfolio and a discussion about the potential for retention, disposal or later review and this was recorded against each asset. The spreadsheet recording the decisions will be retained within finance and the Commercial Team for further action and individual project appraisal and reports to board for decision.

### **10.1.3 McGregor Court, Tweedmouth, Berwick**

10.1.4



### **10.1.5 Manor Walks Income**

10.1.6 A discussion took place amongst Board regarding Manor Walks and Westmorland Retail Park being placed within a Special Purpose Vehicle (SPV). Chris Sayers suggested that this would provide a useful analysis and, regardless of the outcome of placing into a SPV, suggested that if in

the future Manor Walks income could be stripped out it would allow other commercial assets to be analysed on an individual profit basis with costs and income explicitly stated.

**The Board:**

10.1.7 **CONSIDERED** the report in detail and took decisions on the asset register on a case by case basis.

**10.2 Application for NELEP EZ funding for Ashwood Business Park**

10.2.1 The Head of Investments reminded Board that in March 2018, Board approved the purchase of Ashwood Business Park (ABP). Arch successfully completed the acquisition earlier this month and this represented yet another positive intervention by the company to secure an Enterprise Zone (EZ) that had an opportunity to attract new industry and commercial activity into Ashington and potentially create up to 800 new jobs in Northumberland.

10.2.2 The Head of Investments went on to remind Board that Arch had identified a series of activities to improve infrastructure and upgrade utilities to make ABP a more investable commodity and accelerate the pace of development on the site.

10.2.3 The Head of Investments confirmed that to achieve this, Arch now seek funding from the NELEP and require Board approval to make this bid. Given ABP has EZ status Arch anticipate a positive response. The NELEP funding worked on the basis that they contribute funding for infrastructure, utilities and other related costs (but not direct development). The NELEP secure their return by accumulating all business rates generated from new development on ABP which, through their intervention, is designed to make the site more attractive to occupiers and investors.

10.2.4 The Head of Investments confirmed that the mechanism to administer the fund was as follows:

The Local Authority, (NCC), provided the value of the required funding as a loan to the North East Local Enterprise Partnership (NELEP) who would subsequently pass this funding on to Arch in tranches to fund the infrastructure works. The NELEP would repay NCC the value of the loan plus interest, via the business rates collected from across all NELEP EZ sites including in relation to the ABP site over a 25-year period. The repayment from the NELEP to the Council would be subject to a funding

agreement between both parties. Business rates payable after 25 years were retained by NCC.

- 10.2.5 The Head of Investments confirmed that in May 2018, a masterplan and market demand study were completed by Genecon and Sanderson Weatherall for the development of the ABP site. The study had identified site issues relating to infrastructure and lack of electrical supply which could impede future development on the site. The total intervention required for upgrade works was of the value of £2,713,926, which would form the basis of the funding application to the NELEP.
- 10.2.6 The Head of Investments confirmed that current analysis from the study predicted the following outcomes:
- 49,240 m<sup>2</sup> of new commercial floorspace;
  - 794 direct jobs;
  - The attraction of 11 new businesses;
  - The expansion of 6 business on site; and
  - The generation of £13.51 m of business rates.
- 10.2.7 Chris Sayers asked whether Arch would be supplying all the resources and NCC would reap the benefit.
- 10.2.8 The Chairman gave reassurance by confirming the establishment of a Service Level Agreement with NCC would remove this scenario.

#### **The Board:**

- 10.2.9 **NOTED** the Board Report of the 23<sup>rd</sup> March 2018 relating to the purchase of Ashwood Business Park, Ashington
- 10.2.10 **APPROVED** the application to secure up to £2,713,926 of grant funding from the NELEP to deliver key infrastructure works at Ashwood Business Park, Ashington.
- 10.3 Management Company for Hemingway Court, Ponteland**
- 10.3.1 The Development Director presented the proposal to setup a Residents Management Company to manage the common areas at Hemmingway Court, Ponteland.



- 10.3.2 The Development Director informed Board that Hemmingway Court was a 25-unit scheme situated on the site of the former library site in the centre of Ponteland. Historically, it was acquired from NCC and Board approved its development in April 2017.
- 10.3.3 The Development Director confirmed stated that Surgo Construction Ltd were currently on site constructing this scheme and sales were due to launch in June 2018.
- 10.3.4 The Development Director went on to confirm that the common areas of the scheme, which were two apartment blocks joined by a glass link, needed managing. This management function needed funding. This paper requested approval to set up a Management Company to undertake this function utilising an Estate Service Charge levied on purchasers.
- 10.3.5 The Development Director stated that this arrangement was reflective of such arrangements that were already in place for the management company at Arch's schemes at The Maltings in Alnwick and Empire Court in Whitley Bay.
- 10.3.6 The Development Director confirmed that the outline legal framework as proposed by Arch's retained lawyers Ward Hadaway was as follows:
1. There would be a Residents Management Company (Man Co) set up which would be limited by guarantee.
  2. As the Man Co was being set up as a company limited by guarantee rather than shares and shareholders we have members. The Initial Subscriber was the first member of the company. Each purchaser would become a member of the management company.
  3. The initial subscriber to the Man Co would be Arch (Development Projects) Limited (Arch DP). This would provide control via the Company's Articles of Agreement to the initial subscriber. This control would be relinquished upon the last plot sale or later if necessary. This would allow Arch DP to ensure the estate was maintained during the selling period.
  4. Once control was relinquished by the Initial Subscriber, the purchasers would assume control of the Management Company.

5. An Estate Service Charge which would be levied on purchasers through their lease within their leasehold agreement and any successor in title was bound by the same requirements. Similarly, there was a requirement noted within the leasehold for Man Co. to provide Management Services.

6. The Management Company would utilise the Service Charge receipts to fund the functions of the Management Company. In this instance, it would include matters such as corridor cleaning, window cleaning, lift maintenance, building insurance, repairs fund, fire safety system checks etc.

7. Arch would provide a Director on the Man Co. It was proposed that this would be a member of SLT as approved for Empire Court, Whitley Bay.

8. A Managing Agent would be appointed by the Man Co. They would be controlled through a service agreement to the Management Company. They would undertake the day to day management of the business which would include: establishing the Estate Service Charge budget, purchaser interface, ensuring all maintenance works were completed in accordance with all statutory and health and safety requirements, company secretarial role, provision of audited company accounts, ensuring receipt of Estate Service Charge payments, ensuring building insurance is in place and managing day to day purchaser issues etc.

10.3.7 The Development Director confirmed that approval was required at this stage as Arch would require the Company in place to exchange sales at the development.

**The Board:**

10.3.8 **APPROVED** the setup of a Residents Management Company to manage the common areas at Hemmingway Court, Ponteland.

10.4

10.4.1

10.4.2

[REDACTED]

10.4.3

[REDACTED]

10.4.4

[REDACTED]

10.4.5

[REDACTED]

10.4.6

[REDACTED]

## **The Board:**

10.4.7



## **10.5 Approval for Planning Appeals**

- 10.5.1 The Interim Executive Director of Business Support enquired whether Arch could progress with planning appeals on schemes.
- 10.5.2 The Interim Executive Director of Business Support specifically referenced Allerburn, Alnwick as a scheme where an appeal should be considered due to the strong grounds for such action given the particular nature of the refusal and the advice provided by a planning consultant.
- 10.5.3 The Interim Executive Director of Business Support went on to suggest a twin track approach on the Allerburn site which would involve a fresh new application at the same time as a planning appeal was lodged.

## **The Board:**

- 10.5.4 **AGREED** that the principle of an appeal on a scheme was something that was acceptable however should be highlighted to Board on an individual case by case basis.
- 10.5.5 **AGREED** a twin track approach on the Allerburn site involving a new application as well as the lodging of a planning appeal.

## **11.0 Project Updates**

### **11.1 Ashington Leisure Centre**

- 11.1.1 The Projects Director presented a video update to Board regarding the Ashington Leisure Centre/Carillion Liquidation Step in Works.
- 11.1.2 The Projects Director confirmed that Phase 1 electrical and Phase 2 Pool Hall reinstatement were now completed with Arch having sought to improve the details left by Carillion.
- 11.1.3 The Projects Director went on to confirm that Arch had handed back the Pool Hall and were now in Phase 3 sequential areas addressing very poorly detailed and constructed drainage to shower areas etc. which were shedding water below into the sub surface. This work is set to take longer as each area was opened up and addressed through to the spa.

All works are currently undertaken out of operational hours so as not to affect business. Phase 3 will take longer than anticipated and be more extensive, Phase 4 is the rectification of glazing issues. The Arch legal team had lodged the claim against the Bond with the Insurer who had appointed a building surveying firm and an exchange of information for recovery of costs was underway.

## 11.2 **East Sleekburn**

11.2.1 The Projects Director gave an update to Board regarding current developments at East Sleekburn.

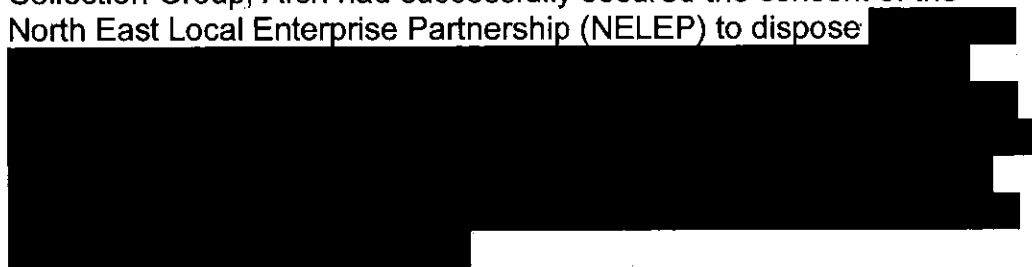
11.2.2 The Projects Director stated that Detail Design Development versus the original business case was flagging up some potential cost increase issues that could be significant in the last 4 weeks;

- i) Disposal at Sea - A U turn by the marine management organisation, who had originally refused to grant the license for disposal of the dock excavation arisings to sea, through stronger representation with Port of Blyth backing has mitigated a significant cost which was good news.
- ii) The Public Right of Way across the dock operational frontage, which was granted by NCC but challenged for extinguishment by Arch under Section 257 of the planning act, had received no objections so this was good news as it could now be extinguished and would no longer affect programme.
- iii) Additional costs had arisen in three areas; under a planning condition regarding protection of the staithes with a cofferdam structure, creation of a drainage outfall and creating a jack up barge facility to enhance investment opportunity. These were not envisaged at original business case application and amounted to £2m.

11.2.3 The Projects Director confirmed that additional mitigation measures and contingencies were being investigated plus a greater return available on the current significant manufacturing facility interest from two separate sources. The procurement through OJEU for the contract works was now underway with "negotiation" allowed when tenders return. A significant advantage for the site was available power capacity for manufacturing.

## 11.1 Commissioners Quay Inn, Blyth

- 11.1.1 The Head of Investments reported that following the in-principle approval from the Arch Board to sell the Commissioners Quay Inn to Inn Collection Group, Arch had successfully secured the consent of the North East Local Enterprise Partnership (NELEP) to dispose



- 11.1.2 The Interim Director of Finance reminded Board that the only outstanding matter was a sign off from Ernst Young for the treatment of the grant in the P&L.

## 11.2 Hexham Car Parking

- 11.2.1 The Head of Investments advised that discussions were ongoing to resolve the long stay car parking issues in Hexham with negotiations ongoing with landowners across a series of sites.

## 12.0 Transition Plan Update

- 12.1 NCC's Head of Communications presented the feedback and preferred route from the Arch rebrand: staff and stakeholder engagement.

- 12.2 NCC's Head of Communications stated that the engagement process was conducted as follows;

### Staff:

- Conducted survey on naming options, descriptors, considerations and key message
- Followed up with workshops with proposed creative routes

### Stakeholders:

- Conducted survey on naming options, descriptors, considerations and key messaging

- 12.3 NCC's Head of Communications confirmed that, following the creative concept workshop, the unanimous preference from Staff was a change to Advance Northumberland. The preferred option from Stakeholders had

been Invest Northumberland (however, all had caveated that it was too inward investment focused), with Advance Northumberland a close second.

- 12.4 NCC's Head of Communications confirmed that the next steps were;
- Arch Board to agree new Company name
  - Refine and agree preferred creative concepts
  - Final approval sought from NCC's Cabinet on reconstituted Company and new name – 14 June 2018
  - Media briefings on new company name setting out new vision/priorities
  - Brand audit to be started to categorise into: vital; urgent; gradual implementation; optional; not required
  - New brand roll out across the organisation
  - Ongoing development of marketing strategy, including brand narrative and key messaging
  - Dynamic communications plan to be developed
  - Implementation and deliver phase

#### **The Board:**

- 12.5 **APPROVED** 'Advance Northumberland' as the name for the new company.
- 13.0 **Arch Performance Scorecard and Risk Register**
- 13.1 The Interim Executive Director of Business Support introduced the report which provided an update on Arch Group's Corporate Scorecard and Risk Register. Its purpose was to provide the Board with an overview of Arch's Performance against agreed KPIs and to present the latest risk register and mitigation measures in place.
- 13.2 The Interim Executive Director of Business Support confirmed that previously the Board had received an overall Compendium report which addressed projects and programmes. The Board received regular reports on projects and so the overall compendium report ceased to be relevant in the previous format. A new reporting regime would become more appropriate as Arch moved towards the whole Group transfer to the new company.
- 13.3 The Interim Executive Director of Business Support went on to confirm that performance overall was generally on target, or where there was a significant variance, this had been reported elsewhere, e.g. Employee

engagement survey, where an action plan was in place to support improvements.

- 13.4 The Interim Executive Director of Business Support stated that one area that showed a significant drop was the satisfaction rate for Arch Commercial. This would be examined more closely and, if necessary, would result in follow up work with tenants.
- 13.5 The Interim Executive Director of Business Support stated that Appendix 'B' & 'C' attached to the report provided the Arch Group Corporate Risk register and a proposed Strategic risk register for Arch from Auditors as a basis for discussion. The Risk Register would also be considered at the Audit Committee.
- 13.6 The Interim Executive Director of Business Support confirmed that the Arch Corporate register identified the latest assessed risks for Arch. There had been some amendments to the register since it was last provided to Board in October 2017 and App 'C' showed a broader range of risks.
- 13.7 The Interim Executive Director of Business Support stated that the main changes had been to address following points:
- Major contractor going into liquidation
  - Challenges around planning approvals for key developments in Ascent
  - Potential changes to the Council Loan arrangements and overall loan facility


The greatest risks remain in following areas:

- Retaining and having a reasonable flow of work- especially in Arch Developments
  - Retention of staff
- 13.8 The Interim Executive Director of Business Support confirmed that as Arch moved towards the creation of and transfer to a new company, a new performance management and reporting system would be established, with monthly oversight through performance clinics. These would adopt a more forensic approach to performance management in a manner which aligned with and enabled effective reporting to the Board as necessary.



**The Board:**

- 13.9 **NOTED & CONSIDERED** the Corporate Scorecard for Q4 2017/18
- 13.10 **NOTED & CONSIDERED** the Risk Registers at App 'B' and 'C'
- 14.0 Any Other Business**
- 14.1 There were no items brought to the meeting under Any Other Business.
- 14.2 The Chairman thanked the Board for their attendance and closed the meeting at 16:06.



..... **CHAIRMAN**

25<sup>th</sup> May 2018

