



Arch Board Minutes

Date/Time

Friday 19th January 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
John Woodman

Arch Chair
Leader NCC
Leader of Liberal Democrat Group

Present:

Ken Dunbar

Allison Joynson

Neil Bradley

Kim Grant (Minutes)

Arch Interim Executive Director of
Business Support
NCC Director of International Projects &
System Transformation/Arch Interim Chief
Executive
NCC Finance Director/Arch Interim
Finance Director
Arch Personal Assistant

Part:

Daljit Lally
Duncan Bowman
Michael Black
Lee Farrier
Pam Robertson

NCC Chief Executive
Arch Development Director
Arch Head of Investments
Arch Head of Estates
Arch HR Manager

Apologies:

Cllr Wayne Daley
Chris Sayers

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



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 and Chris Sayers.

3.0 Declarations of Interest

3.1 The Interim Executive Director of Business Support declared an interest with regard to Cowes Building, Berwick.

4.0 Minutes of Previous Meetings

4.1 The minutes of the previous meeting held on the 15th December 2017 were reviewed and **AGREED** as an accurate record of proceedings.

5.0 Matters Arising

5.1 There were no matters arising.

6.0 Health & Safety

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

6.2 The Health & Safety Manager confirmed that it was the intention to source Lone Worker Training through the NCC training portal.

6.3 The Chairman enquired as to the position of the HSE report regarding the Old School site at Bedlington. The Finance Director confirmed that the full report had been issued with no further action to be taken.

7.0 Human Resources

7.1 The HR Manager presented the HR Report which included the request for Board to approve the proposed Substance Misuse Policy.




7.2 The HR Manager commented that the Policy was intended to be a supportive as well as a penalising policy with a proposed implementation date of the 2nd April 2018.

7.3 The Interim Chief Executive commented that the Policy didn't compare with the NCC Policy and if there was a desire for the policies to be more aligned the proposed Policy would need to be subject to a best practice action plan to ensure fit for purpose.

- 7.4 The HR Manager confirmed that three redundancy letters had been issued to three Bricklayers and one redundancy for an apprentice bricklayer had been avoided by a position being made available with a sub-contractor.
- 7.5 Cllr Reid asked whether the labour turnover figure Qtr 3 of 16.41% was good or bad. The HR Manager confirmed that it was very high. The Chairman stated that Arch were working actively on recruitment.
- 7.5 Cllr Reid went on to comment that the sickness absence figure for Qtr 3 of 2.45% seemed low. The HR Manager confirmed that nationally this figure was very low but higher than normal for Arch.
- 7.6 J Woodman commented that the report was a very useful summary and that if the HR report was brought to Board every Quarter the stats could show any trends developing.
- 7.7 The Interim Chief Executive requested that a commentary regarding the industry average for reporting figures be added to the HR report.
- 7.8 Cllr Jackson enquired as to whether Arch had recently undertaken a comprehensive staff survey.
- 7.9 The HR Manager confirmed that this would commence on the 5th February 2018.
- 7.10 Cllr Reid asked whether there was any feedback from the recent Employee Forum.
- 7.11 The HR Manager confirmed that this had taken place in November with it being quite a positive meeting. One of the areas touched upon was how Arch could reward and recognize some of the good things that employees are doing. Going forward highlights will be listed on the HR report.
- 8.0 **Financial Update**
- 8.1 The Interim Finance Director presented the Financial Report and talked through the key financial risks for 2018;
- The need to complete 53 sales in Ascent to meet target
 - Impact of Fixed Ratio rule
 - Provisional increased costs on the Maltings (primarily for the glazing supplier issues)
 - Review of sunk F&D costs (excluding Manor Walks)
 - Manor Walks sunk costs + Management Fee

- 8.2 The Chairman commented that Manor Walks – Delivery of Scheme should be on the agenda at the February Board meeting.
- 8.3 The Chairman enquired as to when feedback was expected from Ernst Young regarding the timing of the Fixed Ratio Rule.
- 8.4 The Interim Finance Director confirmed that this wouldn't be until year end.
- 8.5 Cllr Jackson confirmed that Arch were not required to pay a dividend to NCC this year and that it was not expected within NCC financial forecasting.
- 8.6 J Woodman commented that loan and capital structure was very important for the next phase of the Company.

9.0 Transition Plan

- 9.1 The Interim Executive Director of Business Support present the report.
- 9.2 
- 9.3 The Interim Executive Director of Business Support confirmed that there was a key need for the establishment of a Transition Team to move the Plan forward and went on to confirm that the Asset Strategy would be presented at the February Board meeting.
- 9.4 The Interim Executive Director of Business Support went on to confirm that in-house legal advice would be 
- 9.5 The Chairman enquired as to whether any decisions made at Board level regarding the Company's future would need to go through Council Cabinet.
- 9.6 J Woodman commented that whatever the technical position was it was critical, from a transparency/marketing position, that the Council were seen to approve and make public what is being put forward by Board for the new Company.
- 9.7 



Prior to these being finalized, work will be undertaken on brand development and due diligence to ensure that all risks associated with the creation of the new company are fully understood before any public announcement is made.

10.0 Projects Seeking Approval

10.1 The Mailing House, Cramlington

10.1.1

[REDACTED]

10.1.2 The Head of Estates confirmed that in December 2014, Arch acquired The Mailing House, Cramlington as part of the purchase of the Hansteen Commercial portfolio which was located on various sites throughout south east Northumberland. The price paid for the Mailing House was £1,525,752 plus VAT.

10.1.3 The Head of Estates went on to confirm that upon purchase, the unit comprised of industrial space of 49,971 sq ft and was let to The Mailing House Group Ltd used for packaging and mail distribution. In early 2017 the Mailing House Group Ltd were placed into administration whilst all assets of worth were sold off. Whilst Arch tried to work with the administrators to find a new end user to undertake the business's core functions from the unit the administrators sold off all contracts to a company outside the region which left the unit void. The unit was subsequently surrendered back to the landlord in the summer of 2017.

10.1.4 The Head of Estates stated that the property is currently being marketed through our in-house marketing as well as the use of the Arch Business Support Team and the use of external Agents Naylor's with a view to find an end user to occupy the unit. Initially the subject property was put on the market to either rent or as a freehold purchase.

10.1.5 The Head of Estates confirmed that over the past 3 months both Arch Commercial, Naylor's and Business Support have visited the site with interested parties to view the unit, however due to the internal configuration we have not been able to secure an end user on a standard lease term and have found the initial purchase price of £1,750,000 to be too high to secure an end user.

10.1.6

[REDACTED]

- 10.1.7 The Head of Estates stated that Arch had recently been [redacted]
[redacted] approached by an interested party.
- 10.1.8 The Head of Estates went on to state that the company was seeking to lease the unit to allow their business to expand into the Northumberland area [redacted]
[redacted]
- 10.1.9 The Head of Estates confirmed that Arch Commercial had requested company accounts and, working with the Finance Team, had ascertained that the business case appears sustainable with realistic targets in relation to cost and membership numbers.
- 10.1.10 Cllr Jackson asked whether the prospective tenants had a good history.
- 10.1.11 The Head of Estates confirmed that the prospective tenants had an ambitious business case and they were confident that they could achieve their targets.
- 10.1.12 [redacted]
[redacted]

[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]

- 10.1.13 The Head of Estates requested Board to note that the site was currently subject to a restrictive covenant in favour of Northumberland County Council which was

placed on the land on 30th October 1969 preventing any use other than industrial and ancillary office use.

The restrictive covenant was initially placed on the land to protect the use of the development of the area in its infancy, however surrounding areas have been sold off and there has been numerous instances of 'changes of use' over the past 50 years in the area due to change in 'demand profile' and 'end users'.

To allow the above transaction to progress to the proposed leisure use the tenant would require planning permission to satisfy planning use category and they were ready to submit the application once Board approval was granted.

Arch would also require NCC to agree to remove the restrictive covenants over the land as failure to do so would result in Arch being unable to enter into the lease which would mean the deal could not progress which would stifle the potential job creation and regeneration of this vacant unit.

10.1.14 J Woodman asked whether Arch would want NCC to remove the covenant completely or to modify the covenant to cover this use.

10.1.15 The Head of Estates stated that he would revert to NCC with regard to the covenant and report back to next Board.

10.1.16

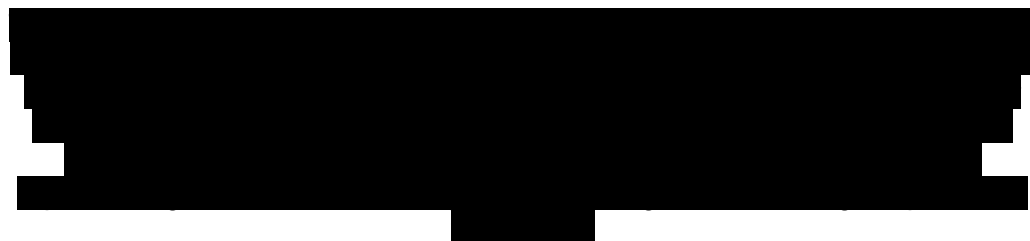
[REDACTED]

10.1.17

[REDACTED]

10.2 Disposal of Land to National Grid

10.2.1



10.2.2

The Head of Investments confirmed that the site of the former Blyth Power Station (BPS) site and adjacent Ash Dock shown edged red below, was acquired by Arch from RWE nPower in [REDACTED]



10.2.3

The Head of Investments stated that the BPS site comprised approximately 62.2 hectares and had been pivotal in the formation of Energy Central (EC), a strategic partnership between Arch and the Port of Blyth.

10.2.4

The Head of Investments went on to state that EC comprised approximately 200 hectares of land on the North-East sea board and represented one of the region's major investment initiatives that builds upon expertise and an extremely well established offshore energy and fabrication cluster.

10.2.5

The Head of Investments confirmed that, in terms of the subject site, Arch had control and influence across a number of existing interests which are illustrated below:



- 10.2.6 The Head of Investments went on to confirm that the EZ component of the site was subject to a significant package of investment comprising £24.4m funded through the North East Combined Authority, North East Local Enterprise Partnership, Arch and NCC.
- 10.2.7 The Head of Investments explained that the purpose of this funding was to remediate and refurbish the dock and EZ site and deliver a development platform to promote commercial uses that would generate high levels of employment and bring the site and dock back into effective economic use.
- 10.2.8 The Head of Investments confirmed that the sale of 2.11 acres of land would allow NG to undertake the development of a new 400kv substation on the former BPS site. We were advised that this facility was essential for the successful operation of the NSL, UK-Norway Electricity Interconnector project.
- 10.2.9 [REDACTED]
- 10.2.10 The Head of Investments confirmed that the site is being let on a long lease for the development of a 400kv substation. NG currently had two substations situated on Brock Lane, Blyth. They were both under lease with 972 years remaining. The terms had been agreed based on a lease by reference to this original lease.
- 10.2.11 [REDACTED]

10.2.12

10.2.13 The Head of Investments stated that if approved by Board, the lease documentation and sale of the land would be completed and construction of the substation would commence with completion to accord with the activation of the NSL interconnector. Should the project not proceed Arch would retain the capital receipt and NG would retain the land under the terms of the long lease.

10.2.14 A discussion followed around Energy Central and surrounding sites. The Head of Investments advised Board that this disposal would conclude three important transactions on Energy Central;

- The grant of a 99 year lease to North Sea Link for the Norwegian Interconnector facility
- A grant of a 25 year lease to EDF for the facility that distributes electricity generated from the Blyth offshore demonstrator.
- The lease to National Grid as stated in this report for 2.11 acres for the construction of a 400kv substation to facilitate distribution of electricity from the Norwegian Interconnector.

10.2.15

10.2.16 J Woodman asked whether an overage arrangement could be considered. The Head of Investments agreed and advised that a series of options would be considered to ensure Arch secured best consideration for the land.

10.3 St Paul's Demolition, Cramlington

10.3.1

- 10.3.2 The Development Director confirmed that the Ascent Homes team were currently in advanced negotiations on the acquisition of a development opportunity in Cramlington and had a planning application lodged with Northumberland County Council. This would provide 19 residential units.
- 10.3.3 The Development Director stated that the school, which was vacated in December 2016, had become a magnet for anti-social activity, presenting both local nuisance and health and safety issues to local residents.
- 10.3.4 The Development Director confirmed that the Ascent Homes team had worked with the vendor to try and resolve legal matters but they have been slow to come forward and address these issues.
- 10.3.5 The Development Director explained that this paper proposed a solution to the issue whereby the Ascent Homes team would demolish the property now with their cost position protected should the Ascent Homes team not proceed with the transaction.
- 10.3.6 The Development Director went on to explain that, in addition to intervening in a local issue, should the Ascent Homes team proceed with this land acquisition they would be able to commence delivery of units earlier as this advance work would have been completed. Critically it supported Arch's broader regeneration strategy in conjunction with the Council which promotes pride of place and would help resolve issues that could negatively impact on Arch's reputation.
- 10.3.7 The Development Director stated that the Ascent Homes team had bid [REDACTED] for this 1.47-acre site which is owned by the Diocese of Hexham and Newcastle. They became preferred developer in June 2015. Our offer price was subject to the usual caveats and specifically any site abnormalities, vacant possession and legal title due diligence. All unforeseen matters at bid submission reduce the land value.
- 10.3.8 The Development Director confirmed that the design of the scheme had been progressed, site investigation work had been undertaken, a planning application had been submitted and legal due diligence and contract work and been undertaken.
- 10.3.9 The Development Director went on to confirm that it was during the legal due diligence that it became apparent that a company called Shenstone Ltd held a covenant on the site which prevented development. As one of the qualifications to the transaction was vacant possession such issues are for the vendor to resolve, hence the delay to proceeding with this development as the discussion to conclude this matter had been prolonged.
- 10.3.10 [REDACTED]

- 10.3.11 [REDACTED]
- 10.3.12 The Development Director went on to confirm that the request was for the demolition of the existing school and all associated investigation and planning works.
- 10.3.13 The Development Director stated that survey work had identified that there was asbestos within the property and therefore the works would include the removal of this, disconnection of services and then the demolition works and removal of foundations.
- 10.3.14 The Development Director confirmed that Arch's Health, Safety and Environmental Manager would review the scope of the works and ensure all matters were compliant from a Health and Safety perspective prior to works being undertaken and also during the demolition process.
- 10.3.15 The Development Director went on to confirm that the works would be procured through Arch's internal team of quantity surveyors in accordance with Arch's Financial Regulations. All tenderers would undergo initial assessment for their suitability to undertake the work prior to being invited to tender.
- 10.3.16 [REDACTED]

- 10.3.17 The Development Director confirmed that, in terms of prosecution of the demolition works, these would be undertaken by a contractor who would have been deemed to be competent through our PQQ and tender process. This would involve the Ascent Homes construction team and also Arch's Health,

Environment and Safety Manager. Under CDM rules they would be deemed the Principle Contractor and carry both the construction management and associated health and safety management on site on a day to day basis. Arch's Health, Environment and Safety Manager would visit the site regularly to ensure all matters were progressing in the manner to be expected and that in turn Ascent Homes, as the client, would have discharged their health and safety obligations.

- 10.3.18 The Development Director went on to confirm that this approval would allow Ascent Homes to intervene and solve an issue of local concern. It was effectively advance spending of future development spend. Ascent Homes have legal protection in the form of the licence agreement should they elect not to proceed with the development and surety in this instance that monies would be returned given the financial standing of the vendor. Therefore, effectively a win/win for themselves and the local community.

11.0 Project Updates

11.1 Green Cowes Building, Berwick

The Interim Executive Director of Business Strategy left the meeting.

- 11.1.1 The Head of Investments introduced the update and invited the Board to;
- **NOTE** the original report to Board (dated December 2017), relating to the conditional disposal of the Green Cowes Building, Berwick on a 125 year lease [REDACTED]
 - **CONSIDER** the update information below relating to the risk of the tenant failing to fulfil obligations and the property reverting to Arch with costly liabilities or health and safety matters prevalent.
- 11.1.2 The Head of Investments reminded the Board that the report on the disposal of the Green Cowes Building was presented for approval in December 2017.
- 11.1.3 The Head of Investments stated that the size, scale and dilapidated condition of the Green Building presented a challenge to Arch. This primarily as the estimated costs of refurbishment were unlikely to provide sufficient returns in investment terms.
- 11.1.4 The Head of Investments confirmed that Arch had therefore sought a more cost-effective solution for the refurbishment of the Green Building through a conditional disposal that required the tenant to undertake works ahead of acquiring a tangible interest in the property.
- 11.1.5 The Head of Investments went on to confirm that whilst Arch was protected through the granting of an agreement for lease which required the tenant to secure planning permission and complete agreed works to the property, Board

expressed concern over the risk of the tenant experiencing financial difficulty or falling into administration during the works period.

- 11.1.6 The Head of Investments stated that the disposal of Green Cowes was condition upon agreed works being completed by the tenant in compliance with planning and building regulations. [REDACTED]

- 11.1.7 [REDACTED]

- 11.1.8 The Head of Investments went on to confirm that there was a risk in the event the tenant failed to complete the works satisfactorily or the SPV fell into administration during the build period, leaving Arch with costly repairing liabilities.

- 11.1.9 The Head of Investments confirmed that, to provide added protection (and in accordance with the agreed terms), Arch proposed to appoint a Building Surveyor to regularly inspect the property and the works to ensure progress is made in a satisfactory manner. In the event that the tenant failed to develop in an appropriate manner or issues were identified relating to the structure, Arch would be in a position to make a timely intervention and serve a rectification notice. Failure to comply would result in a breach of contract.

- 11.1.10 The Head of Investments stated that if breach of contract should occur, whilst the property could revert to Arch, there would be a well-documented, fully costed path to remedy. [REDACTED]

The Interim Executive Director of Business Strategy returned to the meeting.

11.2 Disposal of Blyth Fire Station

- 11.2.1 The Head of Investments gave an update on the disposal of Blyth Fire Station.

- 11.2.2 [REDACTED]
- [REDACTED]

- 11.2.3 Following discussion, it was agreed that given the interest in the property it should be offered to the open market for sale. However, with a provision that the site could not be used for the development of a residential care home. The Head of Investments advised that an agent would be appointed and the site put

to market with a restrictive covenant on title preventing such use. Once the disposal process had been concluded, all bids would be brought back to Board for consideration.

11.3 Low Prudhoe Joint Venture Development Funding

11.3.1 The Head of Investments gave an update on the Low Prudhoe Joint Venture Development Funding.

11.3.2 [REDACTED]

11.4 Portland Park

11.4.1 The Head of Investments gave an update on Portland Park.

The Board:

11.5 **NOTED** the contents of the HR report and Alcohol and Substance Misuse Policy.

11.6 **APPROVED** the draft Transition Plan as set out in the Project Initiation Document.

11.7 **APPROVED** the establishment of the Transition Team which will be constructed from a combination of Arch employees, technical (and external) advisors, including specialist support and additional capacity and support from the Council on the key workstream areas of Strategy, HR & OD and Branding and Communications.

11.8 **APPROVED** the procurement of professional and technical advisors covering finance, tax and legal matters.

11.9 **APPROVED** the procurement of branding and communications support for the new company, subject to detailed costings.

11.10 **APPROVED** a new name for the new Company and instructed the Director of Business Support to proceed with its registration and development of a communication plan which would ensure a high-profile campaign about the change process.

11.11 **APPROVED** that the Arch Boardroom could be used as the transition planning and deliver room.

11.12 **APPROVED** the lease [REDACTED] for the Mailing House, Cramlington inclusive of an option to sell the Freehold [REDACTED], subject to securing agreement to the removal of the restrictive covenants as set out in

paragraph 3.5.

11.13

[REDACTED]

11.14 **APPROVED** the budget [REDACTED] to demolish the existing school buildings at St Paul's Primary School, Cramlington and **AGREED** that a virtual approval request would be submitted to Board to approve the final price of demolition following the return of tenders.

11.15 **APPROVED** the disposal of the Green Cowes Building by way of the 125-year lease [REDACTED] with the added protection of an additional clause within the agreement placing a specific obligation on the tenant to rectify any issues notified by the Landlord following an inspection.

11.16 **APPROVED** the appointment of an appropriately qualified Building Surveyor to undertake regular inspections of the property during refurbishment/construction and provide written update reports.

11.17 **AGREED** to proceed with the disposal of Blyth Fire Station through an open market sale process.

12.0 Any Other Business

12.1 The Interim Executive Director of Business Strategy conveyed to Board that, to allow up to date financial reporting, the Board meeting be moved to the last Friday of every month.

12.1.1 The Board were in agreement.

12.2 The Interim Executive Director of Business Strategy stated that there would shortly be a significant number of policies being presented to Board members and, due to the volume, where possible, these would be circulated to Board members prior to Board meetings for comments at the meetings rather than be placed as an agenda item.

12.2.1 The Board were in agreement.



- 12.3 The Interim Finance Director stated that the January Board meeting would normally approve the following increases;
- Rent
 - Garage Rental
 - Staff Salary
- 12.3.1 The Interim Finance Director confirmed that Tenants would require 3 months' notice of any increases therefore the intention was to prepare a paper for virtual approval by Board in the next 2 weeks.
- 12.3.2 The Board were in agreement.
- 12.4 The Chairman thanked the Board for their attendance and closed the meeting at 16.15.

..... **CHAIRMAN**

19th January 2018