



Arch Board Minutes

Date/Time

Friday 28th September 2018
1:00pm – 3:30pm

Venue:

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

In attendance:

Cllr Wayne Daley
Cllr Peter Jackson
Cllr Jeff Reid
John Woodman

(Chairman), Deputy Leader NCC
Leader NCC
Leader of Liberal Democrat Group

Present:

Barry Scarr

NCC Executive Director of Finance &
Deputy Chief Executive

Ken Dunbar

Arch Interim Executive Director of
Business Support

Neil Bradley

NCC Finance Director/Arch Interim
Director of Finance

Alex Bennett

Interim Director of Operations

Kim Grant (Minutes)

Arch Personal Assistant

Part:

Duncan Bowman

Development Director

Neil Turnbull

Head of Land & Development

Apologies:

Cllr Richard Wearmouth

Arch Chair

Chris Sayers

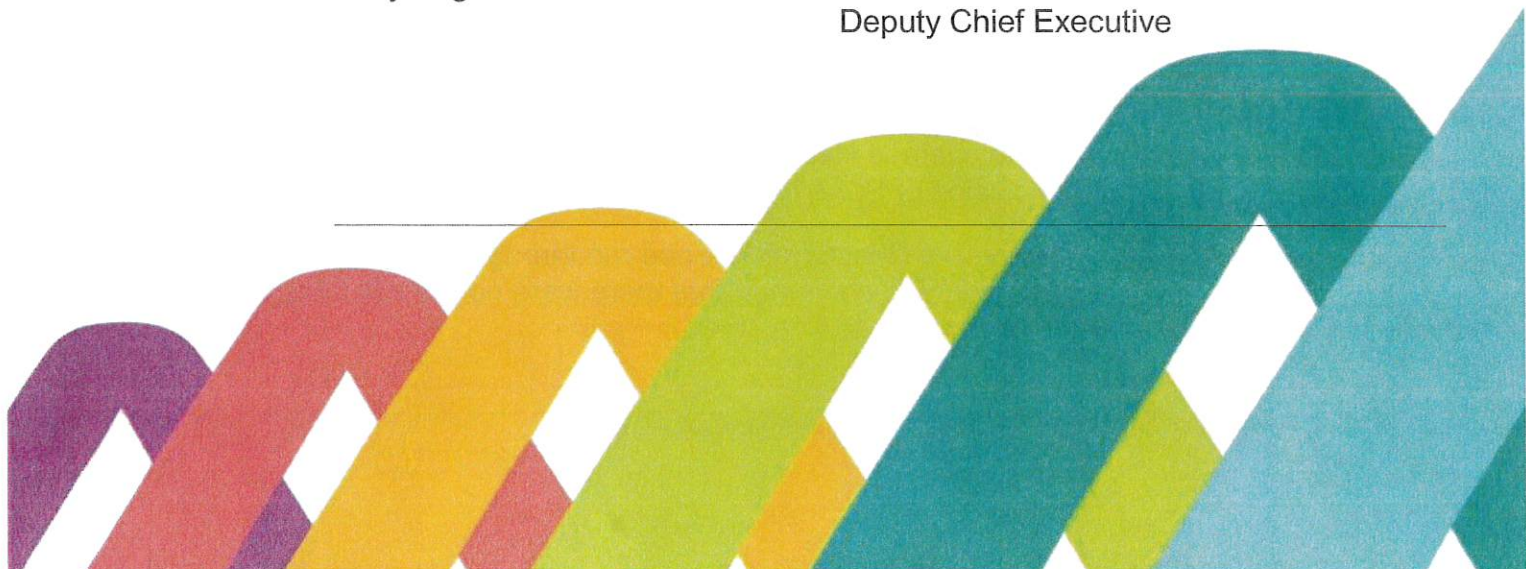
Chair of Board of Governors, Northumbria
University

Daljit Lally

NCC Chief Executive

Kelly Angus

NCC Executive Director of HR/OD &
Deputy 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 Richard Wearmouth, Chris Sayers, Daljit Lally and Kelly Angus.

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 24th August 2018 were reviewed and **AGREED** as an accurate record of proceedings with one amendment to reflect John Woodman's instruction to recruit an independent Member to the Audit Committee. The Interim Executive Director of Business Support indicated that the intention was to recruit Directors to both the Board and Audit Committee once the new company was launched, however it was felt that the recruitment needed to begin immediately.

5.0 Matters Arising

5.1 The Interim Executive Director of Business Support gave an update on Bedlington Town Centre. 

6.0 Health & Safety

6.1 The Interim Director of Finance introduced Alex Bennett (Interim Director of Operations) to the Board members explaining that part of Alex's remit was to oversee Health & Safety for the next few months including the conclusion of SLAs for ICT, HR, H&S and Procurement.

6.2 The Interim Director of Finance ran through the Health & Safety report by exception and confirmed that there were no red risks this month.



- 6.3 The Interim Director of Finance stated that the amber risk associated with vibration exposure monitoring should include timescales. These would be added for the next report.
- 6.4 The NCC Executive Director of Finance requested that the 92% figure attached to properties with an up to date Gas Safety Certificate should show as a red risk until the percentage achieved was 100%.

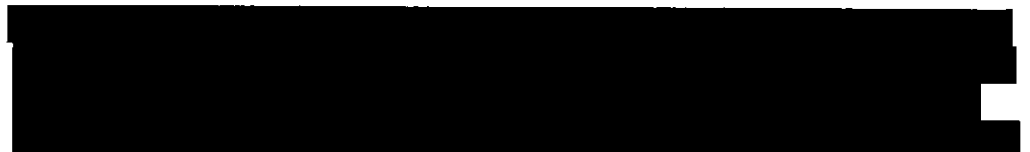
The Board:

- 6.5
- **NOTED** the contents of the report.

7.0 Human Resources

- 7.1 The Interim Executive Director of Business Support presented the HR Report.
- 7.2 The Interim Executive Director of Business Support stated that the current headcount within Arch at 31st August 2018 was 129, labour turnover for the period ending August 2018 was 15% (8 leavers).
- 7.3 The Interim Executive Director of Business Support confirmed that the sickness absence rate for period ending August 2018 was 259.5 days absence which equated to 2.06 days per person.
- 7.4 The Interim Executive Director of Business Support stated that recruitment was ongoing with 11 live vacancies with 3 posts currently under offer.
- 7.5 The Interim Executive Director of Business Support stated that the NCC learning and development training portal was now live with mandatory training only. These were Fire Safety, DSE, GDPR, Equality and Diversity, Health & Safety and Stress Awareness. Completion rates were being monitored and at the end of August 2018 were 95%. There were some repeat offenders and this had been escalation to Senior Leadership Team level. All new employees would complete the mandatory training during the first month of employment.

7.6





[REDACTED]

7.7

7.8

The Interim Executive Director of Business Support went on to confirm that the team building event held on the 7th September 2018 had received extremely positive feedback from those who attended (92).

7.9

[REDACTED]

7.10

The Interim Executive Director of Business Support confirmed that Arch would be adopting NCC HR Policies as appropriate. Work was underway to align these to Advance Northumberland.

7.11

The Interim Executive Director of Business Support went on to confirm that a revised staff handbook had been written to reflect the new company.

The Board:

7.12

- **NOTED** the contents of the report.

8.0

Financial Update

8.1

The Interim Director of Finance presented the report and guided the Board through the key financial risks;



- Sales activity was currently slower than forecast by c.32 units but it was anticipated that this would be made up during the year and along with build savings deliver a non-material impact on forecasted profit.
- Arch Housing void levels continued to be greater than anticipated (12% vs10%). In addition, new legislation regarding electrical testing had meant that an additional 385 properties required certification [REDACTED].
- Arch Commercial showed an increase in the level of CVA's being filed and companies going into administration had meant a reduction in rent and service charge income of [REDACTED], however this had been offset by the additional unexpected profit [REDACTED].
- Arch Corporate costs and revenues were behind original budget as activity could not ramp up fully until Advance Northumberland branding was in place. Other savings against budget could become apparent when full profiling of activity was completed post September launch of Advance. Staff costs continued to be lower than forecast due to difficulties in recruiting to fill vacancies.
- Transition costs were currently in the region of [REDACTED].

- 8.2 The Interim Director of Finance confirmed that Arch Homes voids were still a slight issue. A report, including a graph detailing the monthly void loss, would be tabled at the October Board meeting.
- 8.3 J Woodman commented that the void report was very important to allow a greater understanding of the problem.
- 8.4 The Interim Director of Finance pointed out to the Board the key financial considerations going forward;

- Setting interest rates on schemes [REDACTED]
- Whether equity should be built in Advance Northumberland or NCC? [REDACTED].
- Establishing the return NCC required from Advance Northumberland and how it would extract that return ([REDACTED])
- Management fees in the project management arena – future NCC capital programme projects.



8.5 The Interim Director of Finance informed the Board that the financial accounts would be presented at the October Board meeting and the October Audit Committee meeting.

The Board:

8.6 • **NOTED** the contents of the report.

9.0 Policies and Plans for Approval

9.1 There were no Policies and Plans for Approval presented for consideration at this month's meeting.

10.0 Project Approvals

10.1 Whinney Hill Farm, Guidepost

10.1.1 The Development Director introduced the paper to appraise the Board of the development of Whinney Hill Farm.

10.1.2 The Development Director reminded Board that Whinney Hill Farm was a housing regeneration scheme located between Guidepost and Choppington. In July 2017 Arch Board gave approval to Arch (Development Projects) Ltd entering into a multi phased Land Option agreement [REDACTED]

10.1.3 [REDACTED]

10.1.4 [REDACTED]

- [REDACTED]
- 10.1.5 J Woodman enquired as to whether the finance costings used were following the new finance principles that had previously been discussed? The NCC Executive Director of Finance confirmed that this was the case but there may be a need for another 1% added to the interest rate set out in the report.
- 10.1.6 The Development Director stated that the Joint Venture collaboration agreement had the flexibility for each partner to opt in or out of each phase, i.e. Arch could forgo Phase 2 and then opt back in when Phase 3 commenced. This allowed respective partners a certain amount of flex relative to the specific needs of their business at any point in time.
- 10.1.7 The Development Director confirmed that, in the progression of the site, the following third-party information had been provided, which Arch could rely upon going forward:
- A Land valuation report including marketing analysis has been provided by Knight Frank;
 - Chartered Engineers Patrick Parson's has managed the ground investigation/geotechnical process and the subsequent remediation strategy providing all necessary reports;
 - MWE Architects has provided Architectural Services;
 - All site investigation and third-party consultant reports as required by the planning process;
 - Legal title assessment has been provided by Ward Hadaway as well as all legal contractual advice.
- 10.1.8 The Development Director explained that this opportunity had the flexibility to provide low cost home ownership as well as a full range of affordable housing tenures. Investment support from Homes England would come in the form of Help to Buy and a potential future link up with a Registered Provider of Affordable Housing would come with affordable housing grant investment.
- 10.1.9 The Development Director stated that the entire site subject to the land option (all phases) lay between the existing residential conurbations of Scotland Gate and Guidepost. The site was c100 acres and was capable of ultimately delivering 1500 units between the two parties of the Collaboration Agreement.

10.1.10 The Development Director confirmed that the scheme proposals, as submitted and approved at planning committee, indicated [REDACTED] a total of 327. The scheme was being built around interlinked green spaces and included a sustainable urban drainage system, which would be managed by a management company. [REDACTED]

10.1.11 The Development Director explained to Board the summary of the legal transaction previously approved as follows;

[REDACTED]

- [REDACTED]

10.1.12

[REDACTED]

[REDACTED]

10.1.13 The Development Director confirmed that the following specific terms had been agreed;

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The structure of how these payments were to be made in the most SDLT efficient way was to be determined and subject to tax advice. Full SDLT was included within the viability at this stage should SDLT saving not be achievable.

[REDACTED]

[REDACTED]

2.2. [REDACTED]

2.3. The prescribed form of transfer would need to be amended to cater for the following:

2.3.1. As the two roads to be built within Area A would not be built to the boundary, the connections into Area B would only be constructed once

Area B was drawn down and developed. The obligation in the agreed transfer to build the roads and services up to the boundary would need to be amended so that these did not have to be built up to the boundary but provision for reserved easement strips would need to be included to protect the Landowner instead;

There was an existing agricultural access that could be preserved and rights would need to be reserved over this for the Landowner subject to rights for Arch to divert etc. The design and construction sequence allowed for this.



4. The management of public open space to be agreed including establishment of management company in line with the principles of the Collaboration Agreement. Arch would sell plots on a freehold basis and service charges would need to be incorporated in a rent charge arrangement. It was anticipated that there would be an agreement for each phase of development entered into by the developer with the management company which would deal with the future transfer of public open space to the management company (once laid out) and which would incorporate the standard rent charge provisions to be included in plot transfers.
5. The formation of the management company would be brought back to a future Board meeting for approval. This structure anticipated is identical to that approved at Board for Ellington.
6. Arch would be obligated to use all reasonable (but commercially prudent) endeavors commence development on Area A within 6 months of completion of the drawdown of Area A subject to having obtained all requisite consents.
7. Arch would agree (subject to internal cashflow/viability checks) to use all reasonable (but commercially prudent) endeavors to complete the main highway within 5 years of completion of the

sale of the first unit within Phase I. The costs associated with this were included in the cashflow attached to this request.

8. The parties would enter into a revenue based overage agreement which would provide for overage to be paid as follows:

[REDACTED]

[REDACTED]

[REDACTED]

- 10.1.14 The Development Director confirmed that there had been extensive consultation on the highways network with NCC highways team pre-planning application and through the consultation period. This had derived the highways layout as included within the consented scheme. Following formal approval of the technical design and following subsequent construction, the highways would be adopted under a Section 38 (new highways) and Section 278 (alteration to existing highways) agreements with NCC.
- 10.1.15 The Development Director went on to confirm that the outline sales strategy was to construct two show homes and fit out a double garage. Sales had been assumed within the viability at an average of 2 pcm. The show home will open prior to build completion of the first sale units to attract off plan sales as soon as possible. The target market was first time buyer and good value family homes. Help to Buy would be heavily

promoted and it is anticipated a large take up proportionally across sales achieved.

- 10.1.16 The Development Director stated that there were no Section 106 affordable properties required within the development which was determined during the planning process. This was due to the abnormal costs on site which could not be supported in a low value market as well as the provision of affordable homes. It was also envisaged that the specific location would benefit from low cost private sales.
- 10.1.17 The Development Director confirmed that the common areas to the scheme, highways and landscaped areas would be managed long term through a combination of adopted areas by NCC and through a management company which would be funded from an estate charge to all purchasers.
- 10.1.8 Members of the Board raised concerns regarding the need for a management company on the development. The Development Director explained that this was necessary due to the fact that NCC would not adopt all of the common areas and that it replicated what had previously been done at the Ellington development.

The Board:

- 10.1.9
- **NOTED** the contents of the report.
 - **APPROVED** the alteration to the Option Agreement and Collaboration Agreement.
 - **APPROVED** the Acquisition of Land to deliver Phase 1
 - **APPROVED** a loan facility to deliver Phase 1 (including the land value noted above), subject to Council approval.

10.2 St. Paul's, Cramlington

- 10.2.1 The Development Director and the Head of Land & Development jointly presented the proposal to purchase 1.52 acres of freehold land at the form St. Paul's School, Cramlington.
- 10.2.2 The Development Director reminded the Board that this former school site was brought to the market by a local Agent, GVA, in 2015 and Arch

Development Projects were appointed as Preferred Developer following a competitive Tender process. Although operating as a school at the time, the school subsequently closed in December 2016 and had been derelict ever since. The owner, [REDACTED] had taken steps to make the existing building safe but they have remained a target for vandals.

- 10.2.3 The Development Director confirmed that this development opportunity provided investment in housebuilding on a brownfield site in Cramlington with a range of first-time buyers and family homes. It also contributes £85,500 in S106 affordable housing contributions. This investment would support housebuilding jobs and provide investment in Northumberland based subcontractors and suppliers. In addition to this the shareholder would receive both new homes bonus and council tax contributions.
- 10.2.4 The Head of Land & Development confirmed that the original planning application was submitted on 23rd September 2016. However, due to the long running legal issue [REDACTED], Arch have asked for the application not to be determined at Committee. Arch have been granted a succession of Extensions of Time, the latest of which will expire on the 31st October 2018.
- 10.2.5 The Head of Land & Development stated that Northumberland County Council have received a number of objections to the application from residents, mainly relating to the access to the site along Doddington Drive. The concerns centre around the movement of demolition and construction vehicles on Doddington Drive and the existence of asbestos in the fabric of the old school building.
- 10.2.6 The Head of Land & Development confirmed that Doddington Drive was a relatively narrow and difficult access with resident's cars creating additional access problems. To resolve this situation, Arch Development Projects have agreed an alternative access from the west across the old school playing fields. This would allow a safe access for demolition and construction of the new properties so that Doddington Drive would only ever be used as an access by new residents of the development. In order to facilitate this arrangement Arch Development Projects have entered into a licence arrangement with Northumberland County Council and a third party.
- 10.2.7 The Development Director confirmed to Board that this development would give Arch Development Projects an opportunity to develop a high-quality residential scheme on a high-profile site in an excellent location near the centre of Cramlington. The proposal aligned with NCC's



emerging core strategy intention to prioritise brownfield sites for redevelopment and would provide continuity of employment for our own organisation.

The Board:

- 10.2.8
- **NOTED** the contents of the report.
 - **APPROVED** the purchase of this brownfield site to facilitate the construction of 19 dwellings for market sale [REDACTED], subject to Council approval of the loan.
 - **APPROVED** development funding of [REDACTED] to demolish the existing school and develop 19 market sale units, subject to Council approval of the loan.

11.0 Project Updates

[REDACTED]. Meeting with [REDACTED] where they raised some serious challenges they have around the protracted process of the growth fund application. They have requested Arch to do a piece of work with the RWE land in order to progress within the 10-day time limit. Costs have increased relating to the Staithes which Arch are discussing with the LEP and the Executive Director of Finance at NCC. A Board virtual approval may be required due to the time frame.

12.0 Transition Plan Update

- 12.1 The Interim Executive Director of Business Support provided a full update to the Board on the latest position with regard to legal and financial aspects of the transition process.
- 12.2 The NCC Director of Finance and the Interim Director of Business Support were awaiting definitive advice from PWC regarding the next steps and overall structure of the new company arrangements, following the revaluation of Manor Walks and Westmorland. The advice had been delayed and was impacting on the Councils reporting arrangements to ensure the loan agreements could be dealt with at the 7 November Council meeting. The updated PWC report had just been received but required detailed consideration by Arch and Northumberland County Council.



12.3 In addition, the Articles of Association are being drafted in line with developing Operating Agreement and these will need to be approved at the next Board meeting.

12.4 [REDACTED]

12.5 The Board was advised that all communication and branding work was being addressed and that a communications strategy would be presented at the next meeting. Critically, it will be for the Council to address questions relating to Arch and for the Advance to address questions pertaining to the new company.

12.6 A more detailed report will be provided at the next meeting.

The Board:

12.7 • **NOTED** the contents of the report.

13.0 Any Other Business

13.1 [REDACTED]

[REDACTED]

13.2 **Bedlington Town Centre**

Following discussion on the need to progress the Bedlington scheme, which still required a definitive position [REDACTED] to meet the requirements of the tendering process for construction works, Board was asked to approve [REDACTED] to commence works and ensure the scheme could be delivered within the intended timescale. This is work that would need to be done to prepare the site regardless of the planned development.

Cllr Jackson commented that he felt this needed to be progressed as quickly as possible given that the weather conditions could disrupt development if the decision was prolonged.

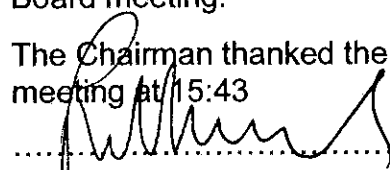
APPROVED: That the Interim Executive Director of Business Support and Director of Finance had authority to commission initial works [REDACTED]

13.3 Cllr P Jackson asked whether there were any outline timescales for Ashington Town Centre. The Interim Executive Director of Business Support confirmed that proposals would be available at the end of October 2018 and would be brought to November Board.

13.4 [REDACTED]

13.5 Cllr P Jackson requested that the Asset report be presented at the next Board meeting.

13.3 The Chairman thanked the Board for their attendance and closed the meeting at 15:43



CHAIRMAN

28th September 2018