



Arch Board Minutes

Date/Time

Friday 15th September 2017
10:00 – 12:00

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:

Daljit Lalley
Neil Bradley
Robin Beveridge
Kim Grant (Minutes)

NCC Interim Chief Executive
NCC Finance Director
Arch Interim Director of Strategy
Arch Personal Assistant

Part:

Duncan Bowman
Michael Black
Steve Greer
Helen Mason

Arch Development Director
Arch Head of Investments
Arch Health & Safety Manager
NCC Senior Manager Governance, Risk
and Audit
NCC HR Director

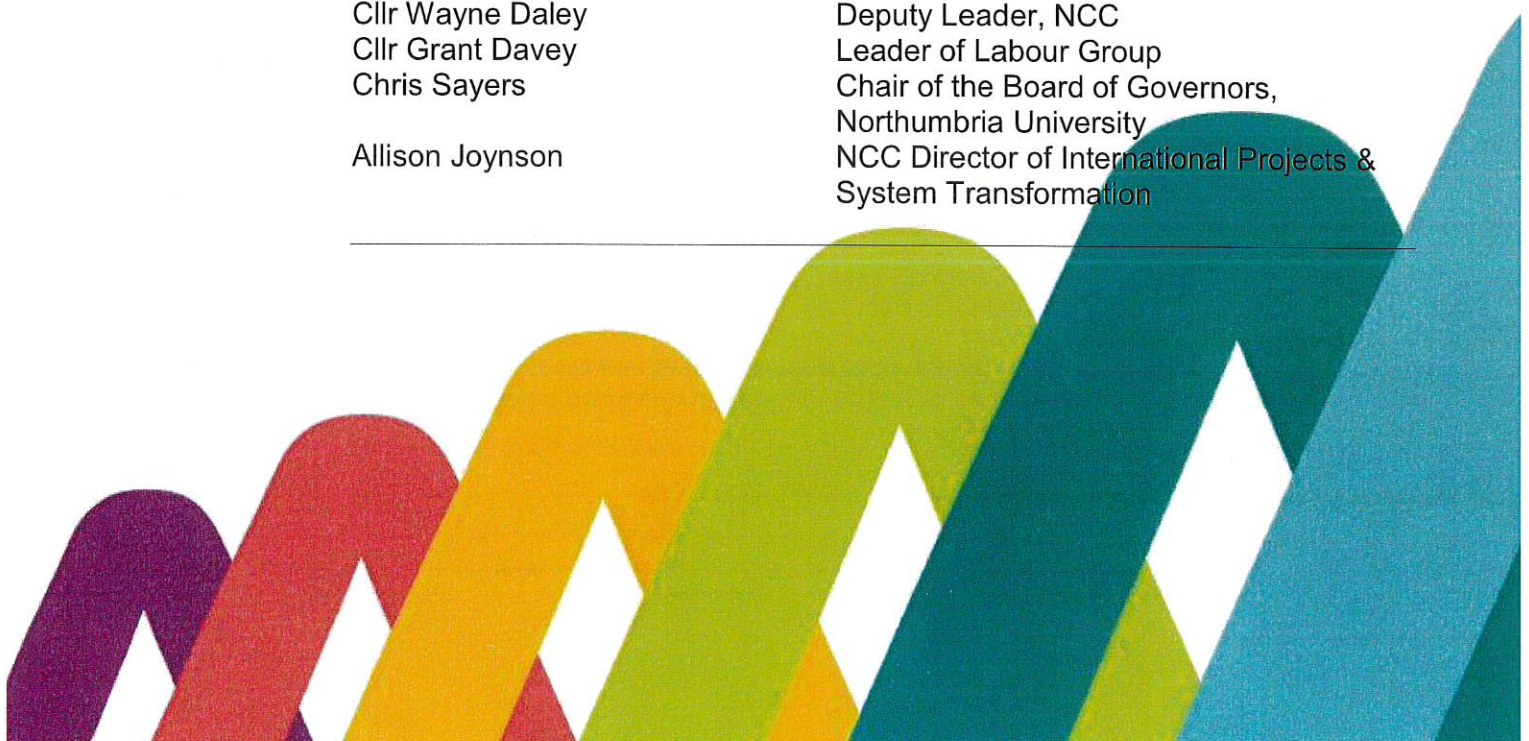
Kelly Angus

Apologies:

Cllr Wayne Daley
Cllr Grant Davey
Chris Sayers

Deputy Leader, NCC
Leader of Labour Group
Chair of the Board of Governors,
Northumbria University
NCC Director of International Projects &
System Transformation

Allison Joynson





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, Cllr Grant Davey, Chris Sayers and Allison Joynson.

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 meeting held on the 18th August 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 Health & Safety Manager presented the Health & Safety report.

6.2 The Health & Safety Manager confirmed that, with regards to the Corporate Manslaughter Training for Directors, his recommendation was for all Directors to attend the CITB Directors Role for Health & Safety (DRHS) as primarily Arch was a construction company.

6.3 The Health & Safety Manager confirmed that he had attended a multi department working group meeting on the 25th August 2017. This group was set up as a response to the Grenfell Tower fire to access and identify any NCC properties that posed the same risk. Topics covered at the meeting were; residential homes, stay put policy, building regulations, cladding types, fire risk assessments, landlord and tenant responsibility.

6.4 The Health & Safety Manager confirmed that there were no current Arch properties known to cause concern.

6.5 The Chairman asked whether the Vue Cinema complex at Manor Walks had the same cladding as Grenfell Tower.

6.6 The NCC Finance Director stated that Manor Walks was managed by Workman on behalf of Arch and that Workman had a very strong Health & Safety commitment.



7.0 Policy Update

- 7.1 The NCC Senior Manager Governance, Risk and Audit introduced the paper and gave a short presentation covering the review of Policies at Arch.
- 7.2 The NCC Senior Manager Governance, Risk and Audit stated that the review had shown that Arch had a suite of good policies in place but that there was a need to ensure that the processes to monitor and review these policies were consistent and aligned with NCC processes.
- 7.3 The NCC Leader enquired as to whether within these policies there was a policy covering delegation levels and whether these levels had been looked at in detail.
- 7.4 The NCC Senior Manager Governance, Risk and Audit confirmed that this was one of the first policies that would be reviewed.
- 7.5 The NCC Leader stated that he would like this brought back to Board.
- 7.6 Cllr Reid stated that, as the purpose of Arch when it was originally set up was to be as far removed from NCC as possible, he was unsure about bringing Arch policies in line with NCC policies. He went on to state that Arch were a commercial rather than a public organisation which required separate policies.
- 7.7 The Chairman stated that he would like to make sure that policies weren't aligned for the sake of aligning but rather where there were logical adjustments to be made.
- 7.8 The NCC Interim Chief Executive stated that the Policy Review wasn't about getting Arch to run like NCC but rather about good governance. Arch was a wholly owned subsidiary of NCC so in that respect there was a need for a set of policies and procedures that would allow Arch to work flexibly and function in a non-NCC way but still allow the Directors to be protected.
- 7.9 The NCC Interim Chief Executive went on to state that NCC was very good at setting our policy procedure and this review was undertaken with the purpose of ensuring that the Arch policies were fit for purpose and right for the organisation.
- 7.10 The Chairman confirmed that the policy review should proceed along those lines and be brought back to a future Board meeting where Service Directors at Arch could have input.
- 7.11 John Woodman stated that he felt most of the policies were fine it was more about the process.

- 7.12 The Chairman stated that ownership of the policies should be clear and that the policies should be regularly monitored.
- 7.13 The NCC Finance Director stated that Arch was bound by the same public-sector procurement rules as NCC. This extends to wholly owned companies therefore Arch would be legally bound.
- 8.0 **Financial Update**
- 8.1 The NCC Finance Director confirmed that the end of year forecasts remained as previously reported to the 18th August 2017 Board meeting and went on to talk through the outstanding key strategic financial issues for Arch going forward;
- Setting interest rates on schemes
 - Build equity in Arch or NCC (consider changing current model to capital repayment model)?
 - Fixed ratio rule issues (taxation changes).
 - Establishing the return NCC requires from Arch and how it will extract that return
 - Financial risk loading on marginal or “no profit” schemes undertaken by Arch.
- 8.2 The NCC Finance Director stated that, at this point, there were no firm actions in place in relation to the above issues.
- 8.3 John Woodman commented that, to some extent, the issues were Shareholder issues.
- 8.4 [REDACTED]
- 8.5 [REDACTED]
- 8.6 Cllr Jackson asked whether the interest rates were set on current loans and that future schemes could be considered on a one by one basis or possibly grouped by type of scheme.
- 8.7 The Chairman asked whether preference would be a flat rate of interest then the Board and Arch would decide scheme by scheme.
- There was some further discussion on these issues with Cllr Jackson clearly stating that NCC was responsible for deciding the rate of interest on loans to ARCH. It was agreed that ARCH within its business cases had to decide whether or not each individual scheme stacked up commercially based on the loan rate offered by NCC.
- ARCH staff also needed to be clear in business cases around financial risk and



where this sat between ARCH and its shareholder. ARCH board would need to take decisions on schemes cognisant of that risk and who bore it.

9.0 Commissioners Quay Inn, Blyth

9.1 The Chairman confirmed that there had been a positive meeting with the Inn Collection Group and that the Arch Head of Investments had secured an agreement going forward.

9.2 John Woodman asked whether the issue with the Commissioners Quay Inn, Blyth had any implications for the Amble Hotel development with the Inn Collection Group.

9.3 The Head of Investment confirmed that agreement had been reached with Inn Collection Group regarding the Amble Hotel and the documentation was prepared and ready to sign.

10.0 Communications including Interactive Map

10.1 The Interim Business Strategy Director introduced the proposal and confirmed that Arch has been asked to prepare the Interactive Map as a way of showcasing what Arch had done and is planning to do in the future.

10.2

[REDACTED]

11.0 Projects Seeking Approval

11.1 Wayside Point, Ellington

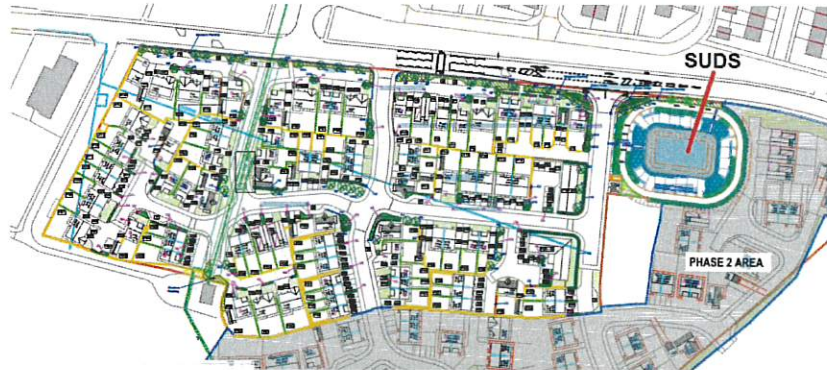
11.1.2 The Development Director introduced the proposal to approve the set-up of the Residents' Management Company to manage the un-adopted common areas at Wayside Point, Ellington.

11.1.3 The Development Director confirmed that this was reflective of the arrangements Arch had in place for the management company at their scheme The Maltings in Alnwick, which was approved by Board in April 2017 and this company has now been set up.



11.1.4 The Development Director stated that the outline legal framework, as proposed by Arch retained lawyers Ward Hadaway and approved by the Arch internal Head of Legal Assurance, was:

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 there will be 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. Arch DP may wish to assume control for a longer period, i.e., until the defects liability within construction contracts had expired for particular elements of the scheme, which would then be handed over to the management company.
5. Once control was relinquished by the Initial Subscriber, the purchasers would assume control of the Management Company.
6. An Estate Rent Charge would be levied on purchasers through their legal sale contract. This would enable Arch DP to sell the units on as a freehold. The requirement to pay the Estate Rent Charge would be noted on their title deeds so that any successor in title would be bound by the same requirements. Similarly, there would be a requirement noted within the sale transfer deeds for the Man Co. to provide Management Services.
7. The Management Company would utilise this Estate Rent Charge receipts to fund the functions of the Management Company. In this instance, it would be the maintenance of the Sustainable Urban Drainage (SUDS) pond and small areas of landscaping as indicated on the diagram below: where landscaped areas are shaded green.



8. Arch would provide a Director on the Man Co. It was proposed that this would be the Development Director, which had been approved by the acting Arch Group Chief Executive and acting Chief Executive of NCC.
 9. 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 Rent Charge budget
 - purchaser interface
 - ensuring all maintenance works are completed in accordance with all statutory and health and safety requirements
 - company secretarial role
 - provision of audited company accounts
 - insurances
 - ensuring receipt of Estate Rent Charge payments
 - managing day to day purchaser issues etc.
- 11.1.5 The Development Director confirmed that Arch had Apartment blocks in the scheme which would require a parallel but separate arrangement which the lawyers would consider. Apartment purchasers would be liable to both an Estate-wide charge and also a charge specific to their apartment, i.e., cleaning of corridors, block building insurance, etc. The apartment blocks are further away on the delivery programme. This would be brought back to Board in the future.
- 12.0 Project Updates**
- 12.1 **Potland Burn**
- 12.1.1 The Development Director gave an overview of a previous Board approval on the acquisition and forward delivery plan on Potland Burn. Whilst the scheme is

now acquired this was to ensure the forward delivery plan was acceptable to the Board.

12.2 [REDACTED]

12.2.1 [REDACTED]

12.2.2 [REDACTED]

12.2.3 [REDACTED]

12.2.4 [REDACTED]

12.2.5 [REDACTED]

12.2.6 [REDACTED]

12.2.7 [REDACTED]

The Board:

12.3 **APPROVED** the setup of a Residents' Management Company to manage the un-adopted common areas at Wayside Point, Ellington.

12.4 **CONFIRMED THE PREVIOUS APPROVAL** for Potland Burn.

12.5 **AGREED** [REDACTED] Progress the public car park working with NCC as part of the comprehensive regeneration of Coquet Enterprise Park.

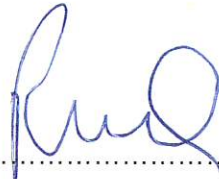
13.0 Strategic Review

13.1 There was a discussion between members with regard to the Strategic Review which culminated in a communications release being agreed for staff. This set out position on the strategic review and what was happening next.

14.0 Any Other Business

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

14.2 The Chairman thanked the Board for their attendance and closed the meeting at 1:15pm.



CHAIRMAN

15th September 2017

