



Arch Board Minutes

Date/Time

Friday 29th June 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
Chris Sayers

Arch Chair
Leader NCC
Leader of Liberal Democrat Group
Chair of Board of Governors, Northumbria
University

Present:

Daljit Lally
Ken Dunbar

Neil Bradley

Kim Grant (Minutes)

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

Part:

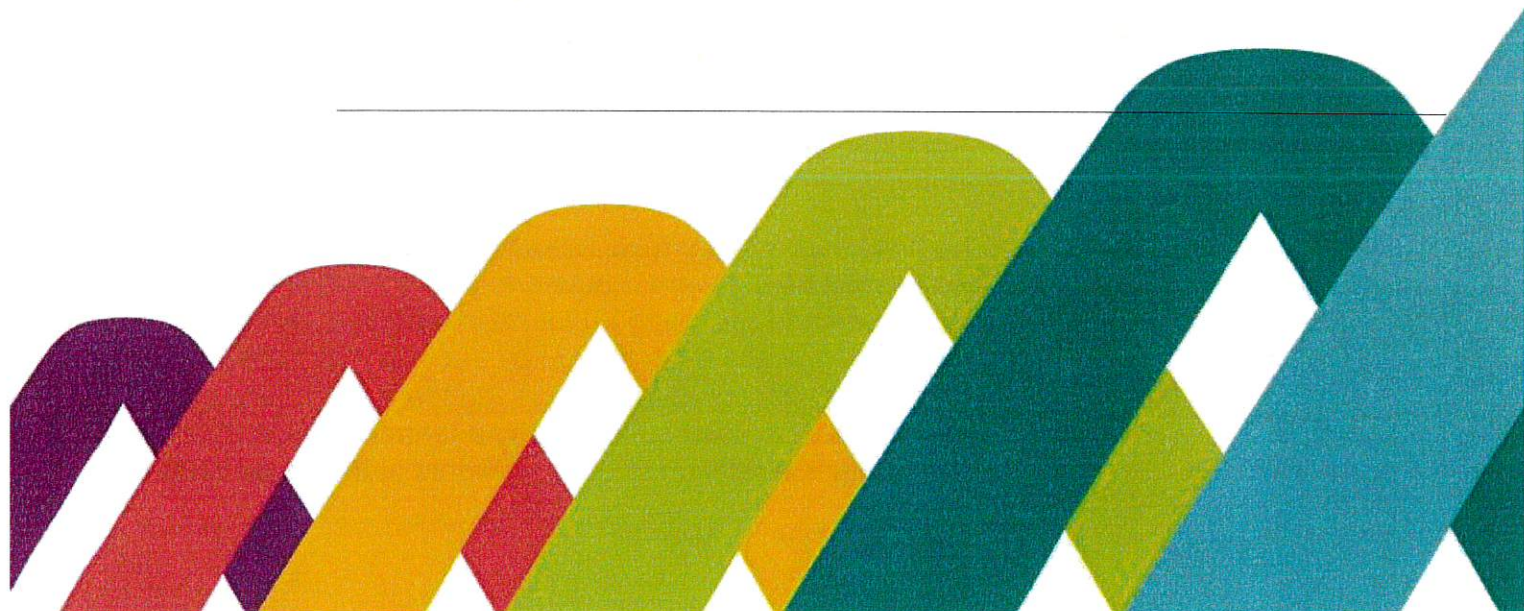
Duncan Bowman

Arch Development Director

Apologies:

Cllr Wayne Daley
John Woodman

Deputy Leader NCC



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 Wayne Daley and John Woodman.

3.0 Declarations of Interest

3.1 Cllr Peter Jackson declared an interest with regards to Item 11 – Project Update Willowburn, Guidepost

4.0 Minutes of Previous Meetings

4.1 The minutes of the previous meetings held on the 25th 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 sale of Commissioners Quay Inn [REDACTED].

■

[REDACTED]

6.0 Health & Safety

6.1 The Interim Finance Director ran through the Health & Safety report by exception and confirmed that there were three red risks.

- The first covered near miss reporting with a recommendation that Department heads were required to brief their teams on near miss procedures and encourage near miss reporting. A training presentation would be delivered by the Health & Safety Manager.
- The second was concerning correspondence received from HSE regarding a complaint submitted by a tenant at the Bebside Hall development in relation to building works at the Ascent Homes

construction site and Arch as their landlord. Action had been taken to pacify the tenant via communication from Senior Management and no issues of concern had been identified during construction site visits. The Arch Health & Safety Manager was liaising with the HSE Officer.

- The third was concerning 1090 properties with current valid EICR Testing Certificates. The outstanding properties not completed were due to issues getting access into tenanted properties. It was felt that it would be best practice to label the risk as amber rather than red as Arch could demonstrate the percentage of certificates required over the portfolio were being achieved and a plan of action was in place to carry out the testing in the outstanding properties. The risk should be red only if Arch don't have a testing regime in place (or evidence to support).

6.2 The NCC Chief Executive questioned the 9% of properties without a gas certificate. Although the RAG rating as green was based on proportion completed the NCC Chief Executive was keen to understand if that left any individual properties without a gas certificate for a significant length of time and how this was being managed.

6.3 The Interim Finance Director brought to the Board's attention that the policies were highlighted as amber until they were ratified by Board.

6.4 The Interim Finance Director confirmed that the St. Paul's First School, Cramlington was in the initial stages with asbestos removal and demolition work at the tender stage.

6.5 The Interim Finance Director stated that the review of in-house training was ongoing in earnest. This was required to have set target dates for future Board reports.

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 May 2018 was 128, labour turnover for the year ending 31st 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 Interim Executive Director of Business Support confirmed that the sickness absence rate for the year ending 31st 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 Interim Executive Director of Business Support stated that recruitment was ongoing with 4 live vacancies and the expectation of approval of a further 2 posts.
- 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, Lone Working, GDPR, Equality and Diversity, Health & Safety and Stress Awareness.
- 7.6 The Interim Executive Director of Business Support 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 Interim Executive Director of Business Support confirmed that Arch were working with Northumberland College on a Training Needs Analysis solution for the business.
- 7.8 The Interim Executive Director of Business Support confirmed that letters had gone out to all staff advising them of the new company name and the plans to TUPE transfer staff currently employed by Arch Corporate Holdings to Advance Northumberland. A follow-up meeting with those staff was arranged for June. As there were no planned measures this meeting was to answer any queries rather than consult with staff.
- 7.9 The Interim Executive Director of Business Support stated that discussions were underway with the Estates team in relation to staffing implications of the potential closure of premises outside of Northumberland.

7.10 The Interim Executive Director of Business Support confirmed that the next Employee Forum meeting was scheduled for 4th July 2018. Question from forum members related to;

- Award of annual cost of living rise
- Update on new company
- Leadership within Arch

7.11 The Interim Executive Director of Business Support went on to confirm that, following the Staff Survey, the working party were putting together proposals for a team building event and social event to take place at the beginning of September. Work is progressing with the action plan from the Staff Survey, with Dignity at Work training arranged for June and July. This would include a section on bullying and harassment. Other actions were linked to the formation of the new company.

7.12 That Interim Executive Director of Business Support stated that initial proposals regarding the change of the pension scheme to a salary exchange scheme had been received and discussed at high level with employee forum members. A planning meeting, to include a review of performance of the current pension scheme, was scheduled for July 2018. Saving on the life assurance scheme had been implemented, with a change in insurers resulting in a [REDACTED] saving.

7.13 The Interim Executive Director of Business Support confirmed that the following policies had been reviewed and were awaiting feedback before obtaining Board approval;

- Leave from work
- Recruitment and Induction
- Performance Review
- Substance Misuse
- Appeals

There was a programme in place to ensure all policies were updated before September 2018. It was likely that this would be delayed due to the need to obtain NCC oversight.

The Board:

7.14 • **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;

- Arch Development sales are behind the phased target at this stage. However, the team were confident that they will recover this position before year end.
- Arch Housing were showing reduced net rent and void charges being incurred due to higher void rate than expected (13% vs 10%). The risk is that the void rate remains at 13%.
- Arch Commercial were currently having a similar problem in that void rate charges had increased costs at the beginning of the year. More generally, the CVA issue and instability of the retail market nationally were being closely monitored.
- The financial cost of transition to the new company.

8.2 The Interim Director of Finance pointed out to the Board the key financial considerations going forward;

- Setting interest rates on schemes – Teckal advice re: Ascent Homes
- Should equity be built in Advance Northumberland or NCC?
- Establishing the return NCC required from Advance Northumberland and how it would extract that return (dividend, interest differential, charitable contribution)
- Management fees in the project management team – future NCC capital programme projects and the overarching agreement with NCC going forward.

8.3 The Interim Director of Finance discussed with Board the estimated costs for the transition to the new company.

8.4 The Chairman asked that a report be brought to Board with a clear picture of residential voids.

The Board:

8.5 • **NOTED** the contents of the report and asked that a report be brought back to the Board detailing the position with residential voids.

9.0 Policies for Approval

9.1 The Interim Director of Finance presented the following policies to the Board;

- Confined Spaces
- Driving Safely at Work
- First Aid
- Lone Working
- Risk Assessment
- Temporary Works
- Working at Height

The Board:

- 9.2
- **APPROVED** the above policies with the exception of "Driving Safely at Work" which was to be brought back to the next Board meeting once the use of "Hands-free" technology whilst driving was compared with NCC's policy.

10.0 Project Approvals

10.1 Organisation Structure & Salary Review

10.1.1 The Interim Executive Director of Business Support presented the paper and confirmed that the main purpose of the report was to present proposals for organisational change, concentrating on a new organisation and salary structure to ensure the new Holding Company set up to replace Arch was fit for purpose, could deliver its mission and vision and align more closely with the Council's wider place shaping and economic growth objectives. In doing so it would need to operate with sound governance and financial control, which would require additional resources.

10.1.2 The Interim Executive Director of Business Support reminded the Board that following the strategic review of Arch and the implementation of the approved transition plan, it was now necessary to look at the organizational structure and form of the new company so that it could deliver the expectations of its shareholder and owner, Northumberland County Council. The creation of and transfer to the new company was agreed at the Northumberland County Council Cabinet meeting on the 14th June 2018.

10.1.3 The Interim Executive Director of Business Support went on to remind the Board that the strategic review identified several weaknesses in governance with significant gaps in systems, processes and procedures that must be addressed and significantly improved in the new company,



both to protect the company's reputation and Northumberland County Council as its sole shareholder.

- 10.1.4 The Interim Executive Director of Business Support confirmed that there were various pressure points within the key divisions of Arch which must be addressed to ensure it could meet a challenging development, business growth, investment and housing delivery programme. This included several key enterprise led projects currently in development.
- 10.1.5 The Interim Executive Director of Business Support stated that the report assumed a more joined up approach between the Council and Arch over key central support functions, through rigorous and agreed SLAs. The new company must however retain a fully independent management structure with a robust governance framework to comply with relevant Articles of Association and to meet Companies Act regulations.
- 10.1.6 The Interim Executive Director of Business Support confirmed that there had been a greater level of clarity from NCC following its Economic Strategy refresh, the emerging local plan and the Arch Board agreed areas of focus for the new company. The new company was directed to concentrate entirely on regeneration, housing development and place shaping within Northumberland. This ensured a strong future for those divisions within Arch that were the subject of the strategic review.
- 10.1.7 The Interim Executive Director of Business Support stated that there was a planned cessation of the "Executive" Housing portfolio with a consequent focus on affordable housing and continued delivery of the private sector rented housing portfolio. Arch would also dispose of the limited number of assets outside Northumberland and would no longer build homes outside Northumberland, beyond those that the organisation was already committed to.
- 10.1.8 The Interim Executive Director of Business Support confirmed that the proposed organisational structure of the new company was intended to address the well documented governance and performance issues and gaps. It would also build capacity to deliver an enhanced regeneration agenda, improve customer service and position the company to respond to the regeneration agenda. It would also seek to ensure that, operating as a private company, it complied with local authority Teckal parameters - namely control and functional tests - whilst complying with all rules and regulations that typify a wholly owned local authority trading company. In addition it would;

- Strengthen accountabilities and ensure effective decision making
- Ensure closer alignment with the Councils salary structure and in line with Teckal parameters noting the need to benchmark some roles with the private sector
- Clearer delegations
- Stronger divisional interdependency in terms of operating systems and functional responsibilities.

- 10.1.9 The Interim Executive Director of Business Support went on to confirm that the developing brand and brand values of the new company would help to ensure positive and constructive behaviours going forward that adhered to the Nolan principles.
- 10.1.10 The Interim Executive Director of Business Support presented to the Board the current company structure along with the proposed new organisational structure and rationale for change.
- 10.1.11 The Interim Executive Director of Business Support confirmed that there was a need for a broader salary review to ensure the new company remained competitive and could attract employees with the right skills and experience. A proposed salary structure was presented which had been benchmarked against the private sector for some roles but would be compared against equivalent roles (where applicable) at NCC to ensure Teckal compliance.
- 10.1.12 The Interim Executive Director of Business Support went on to confirm that there would be a need to undertake a job evaluation exercise soon after the new company was established to ensure that posts align more closely with the Council's salary structure.
- 10.1.13 The Interim Executive Director of Business Support also presented a list of proposed changes to individual salaries to reflect the main pressure points and mismatches with Arch and rectify the position whereby no performance payment had been made despite employees either meeting or exceeding payment arrangements over the three years that a performance payment regime had been in place. It was proposed that other posts would be adjusted through the existing performance review arrangements and in line with any recommendations of a future job evaluation process.
- 10.1.14 The Interim Executive Director of Business Support concluded by explaining to Board that the proposals for change were based on the latest and best information about what the new Company would be

focusing on going forward and what would most likely form the basis of an Operating Agreement between NCC and the new company/companies.

The Board:

- 10.1.7
- **NOTED** the organisational challenges and opportunities set out in the report and the rationale for the restructure proposal.
 - **APPROVED IN PRINCIPLE** the new organisational structure but felt that this needed to be directed by the new Chief Executive.
 - **REQUESTED** that a salary review of specific roles and a report detailing the requirement for delivery of Ascent Homes and Development Programmes be brought to a Nomination and Remuneration Committee.

11.0 Project Updates

11.1 Willowburn, Guidepost

- 11.1.1 The Development Director gave Board an update regarding the proposed development at Willowburn, Guidepost.
- 11.1.2 The Development Director reminded Board that they had previously approved entering into a land option and collaboration with Dysart with an agreement to deliver an initial phase of 150 units subject to acquisition of a highways strip.
- 11.1.3 The Development Director went on to state that since Board approval the following changes had occurred;

[REDACTED]

- [REDACTED]

11.1.4

[REDACTED]

[REDACTED]



11.1.5 The Development Director concluded by sharing with Board the forward milestones for the development;

- Take approval to Board in August 2018
- Conclusion of Legals – September 2018
- Start on site – January 2019
- Delivery of Units – Year-end 2019/2020

11.1.6 Following a discussion by Board it was agreed that the Development Director would bring this proposal back to Board in August with more financial detail, particularly around cashflow and how long it would take to repay the land value.

12.0 Transition Plan Update

12.1 The Interim Executive Director of Business Support introduced the report to update the Board on the latest position of the transition process to the new company and to seek approval for additional resources associated with the company set up, consider the draft Corporate Strategy and appointment of new Directors.

12.2 The Interim Executive Director of Business Support confirmed that following the Board meeting, NCC Cabinet and Scrutiny Committee considered a report agreeing to the establishment of the new Company and its brand. The Board considered the Cabinet report in detail and approved the following recommendations:

- the closure of Arch Corporate Holdings;
- the establishment of a replacement Holding Company to be known as Advance Northumberland and associated subsidiaries which focuses on priorities set by the Council in the Corporate Plan;
- the development of revised governance arrangements that would address:
 - the establishment of an Operating Agreement between the Council and the new company, setting out how the company will

deliver the Council's requirements including key performance indicators;

- reserved matters for the Council;
- the arrangements for formally managing performance and governance; (iv) the appointment of the Chief Executive as the Council's shareholder representative for the new company.

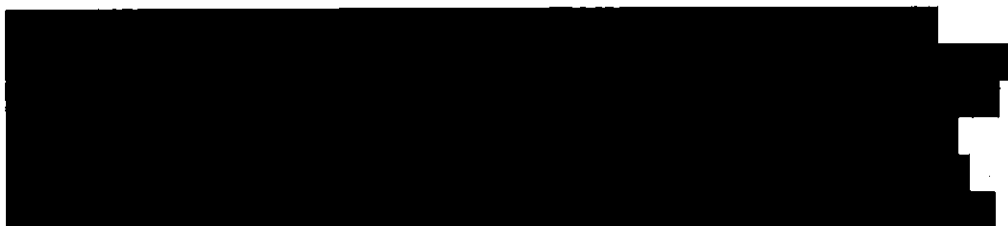
12.3 The Interim Executive Director of Business Support went on to confirm that the new company could now be formally established and staff transferred to it under formal TUPE arrangements.


12.4 The Interim Executive Director of Business Support stated that to address weaknesses identified in the Strategic Review the report to Cabinet had set out the Council's expectations and overall direction of the new company in respect of:

- the overall level of internal audit oversight and assurance;
- the level of oversight and assurance maintained by the Council in relation to procurement controls;
- the level of oversight and assurance maintained by the Council in relation to Health and Safety;
- the role of the Council in evaluating the effectiveness of the Board (including decisions and financial operations);
- content and frequency of the reporting for performance to the Council;
- arrangements for dealing with matters reserved for the Council.

12.5 The Interim Executive Director of Business Support confirmed that the next stage of the transition process would involve implementation of the PWC company restructuring report. To this end PWC would be commissioned to implement the third and critical stage of the transition process. This would involve delivering the implementation plan set out in their report, but also required dedicated legal support which was procured separately against a brief initially prepared by Arch but informed by the PWC report.

12.6



- 
- 12.7 The Interim Executive Director of Business Support confirmed that as the advice and legal support would provide a high level of assurance for the Council as well as Arch and its successor, discussions had taken place with the Council's Deputy Chief Executive and there was agreement in principle for the Council to meet a proportion of the costs, though Arch would be responsible for commissioning and paying for all company transition services from third parties. The scope of the brief to Arch/Advance legal advisors would include all technical and legal aspects of the company transfer but had been extended to include specific advice on State Aid and drafting of the Operating Agreement.
- 12.8 The Interim Executive Director of Business Support stated that in addition to the above identified transition costs there would be significant branding, marketing and PR costs associated with the launch of the new company. It was intended to provide more detail about the scope of this work at the Board meeting, but the costs of creating and promoting the new company would be significant.
- 12.9 The Interim Executive Director of Business Support reminded the Board that at the May meeting of the Board a draft of a proposed Corporate Strategy for the new company was tabled. Whilst this would dovetail with the Council's developing Operating Agreement, Corporate Strategy, Local Plan and Medium-Term Finance Strategy, the Board had given a clear steer as to the areas of focus and the priorities for the new company. Subject to Director's views and input, this document would form the basis of consultation with stakeholders and would be amended to reflect the operating agreement which was being developed by the Council.
- 12.10 The Interim Executive Director of Business Support confirmed that, following the strategic review and recognising the views of the Council, there was a need to strengthen the Board with new Directors who had the skills and experience to steer the strategic direction of the Company.
- 12.11
- Following a conversation amongst Board members it was agreed that a skills matrix would be developed and brought back to July's Board meeting for approval before recruitment of new Board Directors commenced.

The Board:

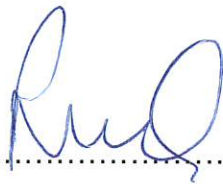
- 12.12
- **NOTED** the report;
 - **NOTED** NCC Cabinet approval to the establishment of the new Company and transition thereto;
 - **APPROVED** an additional spend [REDACTED] for the Company transition and establishment in order to meet legal and initial branding and PR work;
 - **APPROVED** the proposed Advance Corporate Strategy as a basis for consultation and to inform the development of an operating agreement between the Council and Advance Northumberland and its subsidiary companies;
 - **NOTED** the intention to strengthen the Board by recruiting new Directors but specifically requested a skills matrix be brought forward to recruit the most suitable candidates.

13.0 Any Other Business

- 13.1 The Interim Executive Director of Business Support circulated the minutes of the Audit Committee Meeting which was held on 22nd May 2018 for the Board to note.
- 13.2 There was a discussion amongst Board regarding the need for Arch/Advance to support the Special Educational Needs (SEN) programme. The Chairman asked whether this could be done by the Development team at Arch. Cllr Reid enquired as to whether Arch had the capacity to do this work. The Interim Executive Director of Business Support stated that the Development Team would welcome the opportunity to provide project expertise but that their team would need to expand to cope with the additional work. The NCC Chief Executive commented that her preference would be that NCC provide the funding to Arch to grow this programme on a full cost recovery basis.

The Board

- 13.3 • **NOTED** the contents of the Audit Committee Meeting minutes.
- 13.4 The Chairman thanked the Board for their attendance and closed the meeting at 16:06.



..... **CHAIRMAN**

27th June 2018

