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[www.newark-sherwooddc.gov.uk](http://www.newark-sherwooddc.gov.uk)

**Monday, 2 March 2020**

**Chairman: Councillor D Lloyd**

**Vice-Chairman:**

**Members of the Committee:**

**Councillor L Brailsford**

**Councillor B Clarke-Smith**

**Councillor K Girling**

**Councillor P Peacock**

**MEETING: Shareholder Committee**

**DATE: Tuesday, 10 March 2020 at 5.30 pm**

**VENUE: Civic Suite, Castle House, Great North Road,  
Newark NG24 1BY**

**You are hereby requested to attend the above Meeting to be held at the time/place  
and on the date mentioned above for the purpose of transacting the  
business on the Agenda as overleaf.**

If you have any queries please contact Helen Bayne on [helen.bayne@newark-sherwooddc.gov.uk](mailto:helen.bayne@newark-sherwooddc.gov.uk).



## AGENDA

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## NEWARK AND SHERWOOD DISTRICT COUNCIL

Minutes of the Meeting of **Shareholder Committee** held in the Civic Room One, Castle House, Great North Road, Newark NG24 1BY on Wednesday, 22 January 2020 at 5.30 pm.

PRESENT: Councillor D Lloyd (Chairman)

Councillor K Girling and Councillor P Peacock

APOLOGIES FOR ABSENCE: Councillor L Brailsford (Committee Member) and Councillor B Clarke-Smith (Committee Member)

22 DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS AND AS TO THE PARTY WHIP

There were no declarations of interest.

23 DECLARATIONS OF ANY INTENTIONS TO RECORD THE MEETING

There were no declaration of intent to record the meeting.

24 MINUTES OF THE MEETING HELD ON 17 SEPTEMBER 2019

The minutes of the meeting held on 17 September 2019 were approved as a correct record and signed by the Chairman.

25 DEVELOPMENT LAND AVAILABILITY

The Committee considered the report of the Director- Governance and Organisational Development regarding land availability for developments and potential implications for delivery of 500 approved units within the Arkwood Development Business Plan.

An exercise had recently been concluded to identify suitable landholdings within the District Council's ownership, both across the general fund and housing revenue account to assist with land supply for the approved developments. The Council did have some modest landholdings, however, the majority of them were unsuitable for development. There was therefore a shortfall of 54 units for the full 5 year programme to deliver 500 units and further land acquisition was required. Members heard that work to identify potential sites was required quickly to ensure sites would be ready to deliver units within the five year life of the Business Plan.

The Committee considered the issue, noting additional complexities around suitability and type of land, land ownership and identified housing need within an area.

AGREED that approval be given for Arkwood to explore land availability.

26 MINUTES FROM THE BOARD MEETINGS OF ARKWOOD DEVELOPMENTS

The Committee noted the minutes of the Arkwood Development Board meetings held on 2 October 2019 and 4 November 2019.

27 EXCLUSION OF PRESS AND PUBLIC

AGREED (unanimously) that under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Act.

28 ARKWOOD DEVELOPMENT - BUSINESS PLAN

The Committee considered the report regarding the Arkwood Development – Business Plan.

(Summary provided in accordance with Section 100(2) of the Local Government Act 1972)

29 BOWBRIDGE ROAD DEVELOPMENT - FINAL SCHEME

The Committee considered the report regarding the Bowbridge Road Development-Final Scheme.

(Summary provided in accordance with Section 100(2) of the Local Government Act 1972).

30 ARKWOOD BOARD MEETING MINUTES - 3 SEPTEMBER 2019

The minutes from the Arkwood Board meeting held on 3 September 2019 were noted.

Meeting closed at 7.34 pm.

Chairman

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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## **SHAREHOLDER COMMITTEE**

**10 MARCH 2020**

### **ARKWOOD DEVELOPMENTS – BOWBRIDGE ROAD DEVELOPMENT, NEWARK**

#### **1.0 Purpose of Report**

1.1 To update Members regarding progress in relation to the proposed Bowbridge Road development.

#### **2.0 Background Information**

2.1 On Shareholder Committee's recommendation, in June 2019 Policy and Finance Committee approved the sale of the land at Bowbridge Road from the Council to Arkwood Developments, the Council's wholly owned development company. The purpose of this sale, and associated funding arrangements, is to facilitate Arkwood's first housing development.

2.2 A sale price of £2,350,000 was agreed based on independent valuation. Release of equity funding of £3,321,276 was also confirmed, (equity funding of up to £4million had been approved when the Arkwood was established) and Committee was advised that further loan funding would be calculated once the final design had been determined.

2.3 Again on Shareholder Committee's recommendation, on 23 January 2020 Policy and Finance Committee approved the release of additional equity funding of £482,007 to bring the release close to the £4million figure previously agreed. The revised estimate of gross development costs are set out in paragraph 2.1 of the exempt report. It was also agreed for the balance remaining of the capital allocation of £196,717 to be released.

2.4 As Committee will be aware, the proposal is for a residential development of 87 dwellings. While planning matters fall outside the scope of this report and the remit of Shareholder Committee, a link to the planning application is included in Background Papers at the end of this report. Planning permission was refused in January 2020; the application is being re-submitted to the Council's Planning Committee in March 2020.

#### **3.0 Update – Land Transfer**

3.1 The legal work on the land transfer is progressing well and the parties are likely to be in a position to proceed straight away if planning permission is granted in March.

3.2 Arkwood has obtained a ground investigation reports indicating areas that will require remediation attention; this is likely to involve excavation and removal of contaminated material. Further details are set out in paragraph 3.1 of the exempt report.

3.3 It is anticipated that Arkwood will require related planning and highways matters to be agreed before finalising the land transfer. Work has commenced on agreeing commuted sums that will be secured through a Section 106 agreement, setting out Arkwood's obligations regarding green space and children's provision.

3.4 In order to facilitate development Lord Hawke Way will also need to be adopted as highway maintainable at public expense. The terms of the highways agreement have been agreed in principle; further details are contained in paragraph 3.2 of the exempt report.

3.5 Committee is asked to recommend to Policy and Finance Committee that authority is delegated to the Director of Governance and Organisational Development in consultation with the Business Manager Finance to finalise the terms of the highways agreement, up to the maximum amounts set out in the exempt report.

#### **4.0 Update – Loan Agreement**

4.1 In addition to the confirmed equity funding, the intention is for the Bowbridge Road development to be financed by a loan from the Council. Once established, the loan model can also be used for future developments. Further financial details are set out in paragraph 4.1 of the exempt report.

4.3 The Council is seeking further specialist advice to ensure the arrangement complies with State Aid rules; i.e. to ensure that the loan arrangement does not distort competition by giving Arkwood an unfair advantage over competitors. It is also seeking specialist legal advice on the structure of the loan arrangement to ensure that the Council has adequate security for the loan and to consider the most appropriate mechanisms for both interest and capital repayments.

4.4 The Director of Governance and Organisational Development and the Business Manager Financial Services have already been given delegated authority by Policy and Finance Committee to finalise and enter into the loan agreement on behalf of the Council.

#### **5.0 Equalities Implications**

5.1 There are no adverse equalities implications in report. The proposed development scheme as detailed in the Company's business case specifically includes provision of residential units for older persons, who are persons with protected characteristics within equalities legislation.

#### **6.0 Financial Implications (FIN19-20/282)**

6.1 As per Policy and Finance Committee on 23 June 2020 the additional equity has been paid to Arkwood Developments, taking the amount up to £4,000,000.

6.2 The cost of the work detailed at paragraph 4.3 is £24,000. A budget has been identified within the Change Management reserve to fund this. This work safeguards the Council's interests regarding the loan agreement, but also will then act as a template for future loan agreements with Arkwood regarding future schemes.

#### **7.0 Community Plan – Alignment to Objectives**

7.1 Arkwood Developments is referenced in the Community Plan under the objective of accelerating the supply of new homes by delivering 300 new homes by 2020/27.



**8.0 RECOMMENDATIONS that:**

- (a) the progress made with the development and associated loan agreement and land transfer be noted.**

**Reason for Recommendations**

**To ensure Shareholder Committee is kept up to date and to progress the land transfer and associated matters.**

**Background Papers**

11.6.19 Shareholder Committee - Bowbridge Road Development, Newark - Business Case

27.6.19 Policy and Finance Committee – Arkwood Developments – Bowbridge Road Development Newark

22.1.20 Shareholder Committee – Bowbridge Road Development, Newark, Final Scheme

23.1.20 Policy and Finance Committee – Arkwood Developments Ltd – Bowbridge Road Development Newark

Planning Application <https://publicaccess.newark-sherwooddc.gov.uk/online-applications/applicationDetails.do?keyVal=Q5PBIQLBFYF00&activeTab=summary>

For further information, please contact Sue Bearman [sue.bearman@nsdc.info](mailto:sue.bearman@nsdc.info) 01636 655935.

Karen White – Director of Governance and Organisational Development

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## **SHAREHOLDER COMMITTEE**

**10 MARCH 2020**

### **INTERNAL AUDIT REPORT - ACTIONS**

#### **1.0 Purpose of Report**

- 1.1 To update Members on internal audit report actions required relating to the Committee's work and oversight of Arkwood Developments Ltd.

#### **2.0 Background Information**

- 2.1 The Council's internal auditors, Assurance Lincolnshire, have undertaken two audits that have highlighted a number of areas for review regarding the way in which the Council manages the relationship that it has with its wholly owned companies. One audit focussed specifically on the Council's development company and one on the Council's companies in general. Both audits were rated with substantial assurance, however the audits identified the following recommendations in three specific areas:

##### **2.1.1 Risk Management**

*RECOMMENDATIONS - Amend the remit of the shareholder committee to include oversight of the Company's risk management strategy. Amend the formal documentation to include the requirement for the Company to share its Risk Management Strategy and Risk Register with the Council or its representatives.*

*The remits for the relevant scrutiny groups to be expanded to include obtaining assurance on the risk management and audit processes, which the companies have in place. The remits are also expanded to include the review of potential conflicts of interest.*

##### **2.1.2 Ethical and Regulatory Standards**

*RECOMMENDATIONS - The governance agreements between the Council and its companies are standardised to include the requirement for companies to have specific policies in place regarding ethical and lawful behaviour and these are checked periodically as part of the monitoring process.*

*The requirements for compliance with the transparency code to be included in all agreements.*

##### **2.1.3 Audit Requirements**

*RECOMMENDATIONS - The documents are revised to include clear statements on audit and scrutiny requirements. Formally require the Company to undertake an external audit and arrange for annual internal audit report.*

#### **3.0 Remit of Committee**

- 3.1 The current remit of the Shareholder Committee, as detailed in the council's constitution, is set out below:

*"Strategic oversight of the Council's Development Company (Arkwood Developments Ltd), including: its performance; management of the relationship between the Council and its*

Company; compliance with the Governance Agreement; and “health check” of the Company by the Council as sole shareholder; and specifically to:-

1. Recommend to Council the Company’s Articles of Association for consideration and approval;
2. Recommend to Council the Governance Agreement between the Council and the Company for consideration and approval;
3. Agree the constitution of the Board of Directors and to approve the appointment of directors to the Board and to have the power to remove directors of the Board and approve best practice policies in relation to such appointments;
4. Receive, review and approve the Company’s annual report and the annual business plan;
5. Review the performance of the Company; and 6. Determine, on behalf of the Council, how it should exercise the functions flowing from its ownership of shares, including decisions on payment of dividends from the company’s profit after taxation.”

#### **4.0 Actions Proposed**

- 4.1 **Risk Management** - Whilst the internal audit recommends that the remit of the committee should be amended to include oversight of the Company’s risk management strategy, it is considered that this is already included within the overarching wording of ‘strategic oversight’. In addition, there are already provisions within the Governance Agreement between the Council and the Company obliging the company to provide any information to the shareholder or any other of its committees as the Council may reasonably request. The Agreement also specifies that the Council may require the Company to adopt certain policies or procedures in the Company’s operation from time to time.

The audit report also recommends that the committee remit be expanded to include the review of potential conflicts of interest. As can be seen from paragraph 3.1 of the report, it is within the committee’s remit to agree the constitution of the Board of Directors and to approve the appointment of directors to the Board. Given this it is suggested that it is unnecessary to ‘expand’ the remit of the committee as such but that it is more appropriate to put in place formal measures to ensure that the committee to regularly review potential conflicts of interest as part of its work in overseeing the company’s activities.

**ACTION PROPOSED** - It is proposed that the Company be formally requested to share its Risk strategy and risk registers with the Council (client officer) on a periodic basis, and that confirmation of the adequacy of the assurance arrangements within the Company will be reported to the Shareholder Committee annually. This will be added to the Forward plan of the committee. It is also proposed that the committee review the issue of potential conflicts of interest on a six monthly basis and that this be included in the forward plan for the committee.

- 4.2 **Ethical and Regulatory Standards** –

**ACTION PROPOSED** – It is proposed that the Governance Agreement be reviewed to ensure that it contains appropriate requirements around ethical and regulatory standards to accord with CIPFA Good Governance Standard and the transparency code.



4.3 **Audit Requirements** – The Governance Agreement contains provisions requiring the Company to provide to the Council a copy of its audited accounts prepared in accordance with the laws applicable and the accounting standards, principles and practices generally accepted in the UK. However, in addition the Agreement also specifies that the Council may require the Company to adopt certain policies or procedures in the Company’s operation from time to time. This allows the Council to specify audit arrangements that it considers to be reasonable in the circumstances.

*ACTION PROPOSED – To formally require the Company to undertake an external audit each year and arrange for annual internal audit reports from 2020/21 onwards.*

## 5.0 **RECOMMENDATION(S)**

**That the Committee consider and approve the actions as set out in paragraph 4 of the report.**

### **Reason for Recommendation(s)**

**To comply with internal audit recommendations, regarding good practice for the management of the Council’s company.**

#### **Background Papers**

Council Internal Audit Reports on Arkwood Developments Ltd and council companies.

**Karen White**

**Director - Governance & Organisational Development**

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