

Report to: Executive Shareholder Committee Meeting 05 March 2024

Director Lead: John Robinson, Chief Executive

Lead Officer: Nick Wilson, Business Manager – Financial Services

Report Summary	
Type of Report	Open Report, Non-Key decision
Report Title	Arkwood Statement of Accounts 2022/23
Purpose of Report	To present the Statutory Accounts of Arkwood for 2022/23 and the Dividend declaration.
Report Recommendations	That Members note Arkwood’s Audited Statement of Accounts for 2022/23 at Appendix B. Members note, as per section 4, that there will be no dividend declaration based on the performance up to financial year end 2022/23 and the forecast outturn for 2023/24.
Alternative Options Considered	None
Reason for Recommendations	To ensure appropriate review of the Statutory Accounts of the Council’s wholly owned Housing Development Company (Arkwood).

1.0 Background

1.1 Company law requires Arkwood to prepare their Statutory Accounts in accordance with United Kingdom Generally Accepted Practice. Under the Articles of Association, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the Shareholders. No dividend may exceed the amount recommended by the Board.

2.0 Audited Statement of Accounts

2.1 As per **Appendix A** (to follow), Arkwood’s Audited Statutory Accounts for the financial year 2022/23 were approved by their Board of Directors on the 27 November 2023 and will be finalised via the Annual General Meeting on 5 March 2024.

2.2 The Statutory Accounts at **Appendix B** (to follow) show a profit after taxation of £407,437 for the financial year 2022/23. The profit generated in the financial year has taken the Companies cumulative Profit and Loss Reserve to a balance of £404,048.

3.0 Current Forecast Outturn Position for 31 March 2024

- 3.1 At Arkwood's board meeting on the 22 January 2024 the forecast profit and loss account outturn position for the company for the year ending 31 March 2024 was considered. This outturn position showed a projected loss of £313,105 against an original budget forecast position of a £120,000 profit.
- 3.2 The main reason for the movement in the profit and loss account outturn is that 11 properties from the Avenues development on Lord Hawke Way/ Bowbridge Road are now forecast to financially complete after 31 March 2024 due to the demise of the main contractor Robert Woodhead Limited, the time lag in appointing and mobilising the new contractor, Oakworth Construction Limited, and the general downturn in the housing market.
- 3.3 If the current forecast loss for the financial year 2023/24 of £313,105 is realised then that will take the cumulative Profit and Loss Reserve down to a balance of £90,943.

4.0 Dividend

- 4.1 Under the Companies Act a final dividend can only be approved by the Shareholders following a recommendation from the Board of Directors. In making this recommendation, the Board of Directors need to satisfy themselves of the solvency and liquidity of the company immediately after completing the proposed distribution. The Board of Directors the need to give this assurance to the Shareholders.
- 4.2 As per para 3.3, the current forecast is that the cumulative Profit and Loss Reserve as at 31 March 24 will potentially have a balance of £90,943. The Board of Directors do not consider this to be a sufficient balance to recommend the payment of a dividend to its shareholder, the Council, as, based on the forecast, the Company would fail to satisfy the solvency and liquidity test as required by the Companies Act.

5.0 Implications

In writing this report and in putting forward recommendations' officers have considered the following implications: Data Protection, Digital and Cyber Security, Equality and Diversity, Financial, Human Resources, Human Rights, Legal, Safeguarding and Sustainability, and where appropriate they have made reference to these implications and added suitable expert comment where appropriate.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972

None.