

NEGC Ltd AGM - 16th July 2018

Questions & Answers

NEGC Ltd is a private company, limited by shares that is wholly owned by Braintree District Council, Colchester Borough Council, Tendring District Council and Essex County Councils. Questions at AGMs for private companies are limited to shareholders and to questions that concern information relating to the business of the AGM. However, NEGC Ltd has invited members of the public to the NEGC Ltd AGM on 16 July 2018 and offered the opportunity for questions to be submitted ahead of the AGM.

We have set out a written answer to all of the questions we have received from the invitees to the NEGC Ltd AGM on 16 July 2018. We have grouped the questions into common themes or categories for convenience. In accordance with the Guidelines provided to all invitees (see box below for a copy of that text), the Board will provide an answer to the questions at the AGM under the first category – Company 2017/18 financial statements and statutory matters. The remaining categories of questions are not deemed to be part of the business of the AGM, however we respect the spirit in which the questions have been asked and have therefore provided a written response to those questions.

Guidelines

Thank you for registering to attend the NEGC Ltd AGM at 4.30pm on Monday 16th July. The meeting will take place in the Vice President's Lounge at Colchester Community Stadium. Please find attached the information pack relating to the company's 2017-18 financial statements and statutory matters.

Members of the public can submit a question relating to information in the pack. To do so please respond to this email with your question by Midday on Thursday 12th July.

A full list of the submitted questions will be circulated ahead of the meeting and answers will be provided either in writing if required or during the AGM itself.

Please note that as set out in the invitation, only questions relating to the information provided in the pack (as set out in the second paragraph above) are permitted as part of the business of the AGM.

Company 2017/18 financial statements and statutory matters

The accounts show that there is a year end liability of £71,341 due to Colchester Borough Council.

1. When is this due to be paid? 2. What are the terms of the loan? 3. Is NEGC Ltd a going concern?

Colchester Borough Council's arrangement with NEGC Ltd are that amounts are repayable as and when requested.

Funding for NEGC Ltd is held by Colchester Borough Council in a restricted fund and all of the supporting councils have given the NEGC Ltd Board assurances of support in accordance with going concern requirements.

Are the directors still satisfied that the accounts should be prepared on a going concern basis? They will be aware of NEGC's dependence on funding from the Councils and MHCLG and the recent letter from Priti Patel MP asking for that funding to be reviewed? What solid evidence do they have that money will be available to support all the new commitments being made to (for example) Grayling and a new project manager? If not should shareholders be adopting the accounts or supporting the expenditure?

NEGC Ltd has received funding from both Government and the supporting shareholder councils. These funds are held by Colchester Borough Council as a restricted reserve that is allocated specifically to the work that NEGC Ltd undertake. All of the supporting councils have given the NEGC Ltd Board assurances of support in accordance with going concern requirements.

The Directors' report makes no mention of "Events Since The End of the Year", which is a common feature of Directors' Reports. There has of course been a significant event, publication of the Inspector's letter. What impact do the Directors feel the Inspector's views have on the viability of the Company going forward and on the viability of the scheme which is the Company's "raison d'être"?

NEGC Ltd is working closely with the three local councils as well as with Essex County Council and various government departments to provide analysis and support to each of the local councils in relation to the Inspector's letter. Each of the three local councils will be making a decision on which of the options in the inspectors Local Plan letter, they wish to pursue.

The future matters of NEGC Ltd are subject to decisions relating to the Local Plan and the potential creation of a Locally Led Development Corporation for North Essex.

The pension fund is in deficit and will this be remedied before the next annual accounts are drawn up?

In common with other companies, the pension deficit is provided in the accounts under IAS19 rules. NEGC Ltd pay appropriate pension payments in accordance with the arrangements agreed with Essex County Council who administer the pension fund.

Why is NEGC entering into defined benefit pension arrangements at a time when the world is moving to defined contribution? Have the actuarial, accounting and legal costs of this approach been taken into account?

The pension arrangements for NEGC Ltd are part of a total remuneration package that the Board of Directors benchmark against comparable roles in the sector. The appropriate funding of such arrangements is part of NEGC Ltd's business planning and budgeting.

Under the section 'Directors Report', sub-section 'Principal Activity and Review of the Business', there is a description of the 'Principal Activity' but no 'Review of the Business', can one be included?

The Company has undertaken work on proposals for the three new Garden Communities across North Essex which describes both the principal activity and represents work done and as such also is a review of the business.

Isn't one of the key purposes of the AGM is to appoint or re-appoint the directors? Why is this not on the agenda?

The Articles of Association of NEGC Ltd require that its Directors are nominated by the supporting shareholder councils. There is no requirement for the Directors to rotate or be re-appointed.

Scrutton Bland have been appointed as statutory and internal auditors respectively. What are the estimated costs for the coming year?

Scrutton Bland's appointment as external auditor for the coming year 2018/19 is subject to a resolution at the AGM.

Governance matters

There are currently three Authority appointed directors. Does the Board anticipate appointing additional directors and in particular independent directors to achieve balance?

There are 4 directors of NEGC Ltd in accordance with the Articles of Association. All four directors are appointed as nominated directors by their respective council shareholders. There are no plans to appoint any additional directors.

Will there be a Nolan compliant selection process for the independent directors to prevent cronyism? Given the problems with the sustainability and financial viability of the proposed Garden Communities what skills will the Board be looking for?

Under the Articles of Association, there is provision for Independent Directors to be appointed to the Board of NEGC Ltd. We can confirm that there are currently no Independent Directors of NEGC Ltd and that if we were to appoint one then we would do so in a manner that is consistent with policies governing public appointments.

Are shareholders restricted to the 4 councils as bodies or can individuals buy shares?

Shareholdings in NEGC Ltd are restricted to the supporting councils.

Do any of the Councillors on the board receive any kind of financial reward – salary, allowance, expenses, dividends or other directly from NEGC or their local authority?

None of the councillors on the Board or NEGC Ltd have received any salary, allowance, expenses, dividend or other emoluments directly from NEGC Ltd.

Funding/Finance matters

Is it correct that Government funding to take forward and assess the viability of the Garden Communities programme has to date been paid to the Local Authorities involved and not to NEGC Ltd and that the LAs have met the costs of the various studies and reports?

Is there any accounting mechanism in place to record receipts and expenditures attributable to the Garden Communities proposals? How are these shared between the four authorities?

Yes that is correct. Government funding has been received under a section 31 grant mechanism which can only be paid to Local Authorities. The Government funding that has been provided has been held as a restricted reserve by Colchester Borough Council.

The amounts held and expended from the restricted reserve held by Colchester Borough Council are audited as part of the council's annual audit and subject to the same level of scrutiny as with all its other transactions.

We believe that about £4m has been committed to the Garden Communities Project including about £2m from the four Councils and a further £2m from MHCLG. But the accounts only show a turnover of £80,565. Where has the rest of the money been spent and how does public accountability work here?

NEGC Ltd has received funding from both Government and the supporting shareholder councils. These funds are held by Colchester Borough Council as a restricted reserve that is allocated specifically to the work that NEGC Ltd undertake.

With the exception of the items set out in the NEGC Ltd 2017/18 accounts, the amounts expended on the programme during 2017/18 were administered through the restricted reserve fund. The amounts held by Colchester Borough Council in the restricted reserve fund are audited as part of the council's annual audit and subject to the same level of scrutiny as all of its other transactions.

What is the financial relationship between the 4 councils and NEGC? i.e. who is accountable to whom and what services do each provide.

As disclosed in the Financial Statements, NEGC Ltd has 4 supporting shareholder councils each holding the same amount of share capital. The supporting councils nominate a director to NEGC Ltd. There are some supporting services (eg HR, Procurement, Finance systems) provided by the councils to NEGC Ltd under Service Level Agreements which are agreed by the NEGC Ltd Board.

NEGC operating costs are shown to be about £80,000 in the last year with one employee, presumably Richard Bayley who joined NEGC during the year. Where will the funds for his full year employment come from next year?

The Managing Director's salary will be paid for through the funding provided by the councils and the Government to support the programme.

What percentage, on a yearly basis, of the new homes bonus has been given to NEGC by each representative council ECC, TDC, BDC, CBC?

Funding provided to the overall programme is determined by each council, audited through their respective governance arrangements and held by Colchester Borough Council as a restricted reserve.

Lloyds Bank are NEGC's bankers. Have the bank advanced or are prepared to advance funds? What are the terms?

NEGC Ltd does not currently require or have any overdraft facilities in place with Lloyds Bank.

Operational matters

Would the Board give a comprehensive description of the employee's duties and responsibilities and give details of office accommodation, secretarial assistance and expenses, whether this is his/her's sole employment and at the same time give details of remuneration, if any, of the communications manager.

The Managing Director is responsible for managing NEGC Ltd, which is seeking to deliver the three proposed Garden Communities, as mandated by its shareholders, Braintree District Council, Colchester Borough Council, Tendring District Council and Essex County Council. He was appointed following a thorough and open recruitment process and his day to day duties are managed by the NEGC Ltd Board. It is his sole employment.

NEGC Ltd has no office accommodation. The NEGC team make use of the office facilities of the 4 supporting councils. Expenses are paid in accordance with approved policies.

The NEGC Ltd Communication Manager is supporting the company on a secondment from Essex County Council.

What is the anticipated cost of awarding a Project Management contract overall? And on a yearly basis, and who pays for it?

NEGC Ltd does not operate on a project management contract and hence there is no defined cost.

Grayling have been appointed as public relations consultants. What are the terms?

Grayling were appointed following the NEGC Ltd Board meeting on 29 March 2018 to support engagement and communications activity for NEGC Ltd recognising the importance and commitment made of ensuring effective and collaborative engagement with residents, businesses and the many different interested parties.

The level of activity and work they undertake will be determined by decisions taken by the councils on how to proceed with their respective Local Plan processes.

It has been estimated that Grayling (the recently appointed PR company) charge a retainer in the region of 10k per month. Can you confirm if more or less is paid to them?

Grayling were appointed following the NEGC Ltd Board meeting on 29 March 2018 to support engagement and communications activity for NEGC Ltd recognising the importance and commitment made of ensuring effective and collaborative engagement with residents, businesses and the many different interested parties.

The level of activity and work they undertake will be determined by decisions taken by the councils on how to proceed with their respective Local Plan processes.

Grayling are not paid a retainer.

Why are there no sums relating to payment of this contract (Graylings) seen going out in this financial year if they were appointed two months ago?

The contract is held by Colchester Borough Council through whom the tender process was undertaken on behalf of NEGC Ltd. Given that Grayling were appointed on 29 March 2018, any payments due to be made to Grayling would be in this current financial year 2018/19.

Future matters

Are any additional consultants likely to be appointed in the next twelve months?

That is a matter for the revised 2018/19 Interim Business Plan which is due to be discussed at the NEGC Ltd Board meeting on Monday 16 July 2018. The finalisation and implementation of the revised 2018/19 Interim Business Plan is subject to decisions by the three councils on which of the options in the inspectors letter they decide to pursue.

What are the cash flow implications for all of the above?

That is a matter for the revised 2018/19 Interim Business Plan which is due to be discussed at the NEGC Ltd Board meeting on Monday 16 July 2018. The finalisation and implementation of the revised 2018/19 Interim Business Plan is subject to decisions by the three councils on which of the options in the inspectors letter they decide to pursue.

What role will NEGC have in the next two years in delivering the Garden Communities bearing in mind the Inspector requires considerable additional work which he estimated will take at least two years to complete?

The finalisation and implementation of NEGC Ltd's revised 2018/19 Interim Business Plan is subject to decisions by the three councils on which of the options in the inspectors letter they decide to pursue.

The Planning Inspector has found Section 1 of the joint North Essex Authorities Local Plan to be unsound, as submitted. There is therefore for the time being no proposals for three new garden communities across North Essex to take forward. How does the board intend its staff to occupy themselves until such time as any fresh proposals for garden communities are approved by an Inspector?

NEGC Ltd is working closely with the three councils as well as Essex County Council and various Government departments to provide analysis and support to each of the local councils in relation to the inspector's letter. Each of the local councils will be making a decision on which of the options in the inspectors Local Plan letter they wish to pursue.

What is the board's budgeted expenditure for the next 3 years, please?

The future budgeted expenditure of NEGC Ltd for the next 3 years is subject to decisions by the three councils relating to their Local Plans and the potential creation of a Locally Led Development Corporation for North Essex.

Have you received any instruction from any of the councils, (ECC, TDC, BDC, CBC), regarding the inspector's letter and its implications?

NEGC Ltd has not received any instructions from the any of the three councils (TDC, BDC, CBC) regarding the inspectors letter and its implications.

What budget has been set aside to identify the one or two more garden communities as requested by the inspector in his report?

The finalisation and implementation of the revised 2018/19 Interim Business Plan and budget is subject to decisions by the three councils on which of the options in the inspectors letter they decide to pursue.

At what point do you expect the company to make a profit?

The future financial matters of NEGC Ltd are subject to decisions by the three councils relating to their Local Plans and the potential creation of a Locally Led Development Corporation for North Essex.

Does the company intend to publish a business plan, if so when?

The finalisation and implementation of the revised 2018/19 Interim Business Plan and Budget is subject to decisions by the three councils on which of the options in the inspectors letter they decide to pursue.

When does the company expect to reach a break even point?

The future financial matters of NEGC Ltd are subject to decisions by the three councils relating to their Local Plans and the potential creation of a Locally Led Development Corporation for North Essex.

What is the exact purpose of the three subsidiary companies, how will they derive income and when are they expected to start trading?

The 'Local Development Vehicle' or LDV model is one potential model of governance which has been considered by the councils. Since the creation of the three subsidiary LDV companies, the Government has developed and published proposals enabling the creation of Locally Led Development Corporations which offer a further approach for consideration.

Following the Inspector's Report will the definition of "Properties" in NEGC's articles of association be changed to widen the area under consideration? The Inspector has made it clear that all alternatives have to be considered properly, and restricting NEGC's scope to the present three blobs smacks of both denial and closed minds.

The future matters of NEGC Ltd are subject to decisions by the three councils relating to their Local Plans and the potential creation of a Locally Led Development Corporation for North Essex.

Given the difficulties NEGC has experienced in acquiring land should it consider changing its role? The Inspector’s report has pointed to difficulties with the landowner / master planner / infrastructure provider model with a heavy balance sheet. Should it not instead be bringing leadership and commercial expertise to the public sector and bringing communities into a properly informed and numerate dialogue about the alternatives?

NEGC Ltd has had and continues to have an ongoing dialogue with landowners, developers, promoters and various interested parties across the three proposed Garden Communities. The NEGC Ltd Board recognised the need for commercial expertise and appointed an experienced Managing Director who started full time employment in January 2018.

The future matters of NEGC Ltd are subject to decisions by the three councils relating to their Local Plans and the potential creation of a Locally Led Development Corporation for North Essex.