

Subject: **Equinox Enterprises Ltd. update**

Report to: **Policy & Resources Committee – 16 October 2018**

Report by: **Neil Shaw, Strategic Director**

SUBJECT MATTER

To provide members with an update on the activities of Equinox Enterprises Ltd.

RECOMMENDATION

That Equinox Enterprises Ltd replace Jane Beck (Head of Property & Asset Management) as a Director and that David Glason (Development Director) is appointed to the Board as a new Director of Equinox Enterprises.

1. INTRODUCTION

This report provides members with an update on the activities of Equinox Enterprises Ltd. The last update to members was to the Shareholder Committee on 26 July 2018. On 13 September 2018 Full Council agreed the dissolution of the Shareholder Committee and transfer of its functions and terms of reference to the Policy and Resources Committee.

2. RECENT PROGRESS

- 2.1. The building contract with Lovell was been signed on 25 July 2018. Lovells have taken possession of the East Wood site and mobilised sub-contractors in order that construction can commence. Groundworks are scheduled to commence in October 2018. An overview of the East Wood project plan is attached as an appendix for information.
- 2.2. On 10 July 2018 the Board considered the report of a governance review of Equinox Enterprises. This included work on progressing the implementation of audit recommendations outstanding from 2017. As a result of the governance review the following issues have been addressed:
 - The dissolution of the Shareholder Committee and transfer of its functions to the Policy & Resources Committee
 - Creation of a company secretary for Equinox
 - Developing a risk register which is regularly considered by the Board
 - Agreeing updated terms of reference for the Board, role of Directors and the relationship between Equinox and the council

- 2.3. A regular update on the implementation of audit recommendations has been reported to the Audit & Risk Committee. A small number of actions remain outstanding and have been chased for urgent completion. Most important amongst this is the service level agreement between Equinox and the council. This outlines the support the council will provide for Equinox and the payment Equinox will make for these services. This has been produced in draft and is awaiting completion with nplaw so that the Equinox Board and the council can formally approve the agreement.
- 2.4. The governance review also recommended a change in Director. As a result of the review Equinox would like to replace Jane Beck (Head of Property & Asset Management) as a Director and appoint David Glason (Development Director) as a new Director of Equinox Enterprises.
- 2.5. In summary, the next stages of the project are as follows:
- October 2018 – site set up complete by Lovell
w/c 22 October 2018 – ‘ground breaking’ event
July 2019 – show home complete
September 2019 – section 1 (6 plots) complete
- 2.6. Since the last Shareholder Committee meeting Equinox has not considered any further developments. Since the dissolution of the Shareholder Committee a regular update will be provided to the Policy & Resources Committee.

3. FINANCIAL

- 3.1. The following financial summary for East Wood (Beacon Park Phase 1) has been discussed a number of times at the Board and Shareholder Committee and this remains unchanged:

Projected sales proceeds	12,286,068
Land	1,293,180
Construction	9,174,072
Construction on costs including fees	594,441
Interest	232,878
Overheads	60,000
Total costs	11,354,571
Pre-tax profit	931,497

- 3.2. The company's cash flow forecast is principally based on the East Wood scheme. This is reviewed at every Board meeting. The existing £8.933m facility to finance Equinox was approved by the Shareholder's Committee on 25 April 2018. Based on current cashflow projection Equinox will need to drawdown £6.8m of the loan facility as sales receipts will be used to partially fund the overall costs of the project.

The forecast, summarised in the table, below, assumes that Equinox and the council will agree a repayment plan for the £5,250k loan commencing November 2019 and concluding June 2020. The proposed repayment plan is calculated to use cash receipts efficiently to minimise the interest payable by the company. This is based on sales receipts being received from July 2019.

Equinox Cash Requirements 2018-2020

Date of draw down	Mar 2018	Oct 2018	Jan 2019	Apr 2019	Sum	Headroom	Maximum facility
	£000	£000	£000	£000	£000	£000	£000
Cash investment							
Equity	£500	£250	£425	£525	£1,700	£533	£2,233
Loan	£1,500	£750	£1,275	£1,575	£5,100	£1,600	£6,700
Total investment	£2,000	£1,000	£1,700	£2,100	£6,800	£2,133	£8,933

Date of Board meeting 21/05/2018 01/10/2018 13/11/2018 19/02/2018

- 3.3. The equity investment by the council reaches a peak of £1,750k which has not been reduced by capital reduction via cancelling or buying back shares. The company is forecast to have £2,912k in cash at March 2020. The retained profits and share capital can be used to partially fund further development schemes or returned to the investor.
- 3.4. The Directors were advised by NPLaw to allot shares by written resolution at Board meetings. At the Board meeting on 1 October 2018 it was recommend that Directors need to draw down a second tranche of funding: £750k and allot £250k of shares. The Board resolved to approve the funding draw down including the allotment of 250,000 £1 ordinary shares.

4. RISK

- 4.1. Equinox regularly reviews a range of risks using the risk register it developed in 2018. This was last reviewed at the Board meeting on 1 October 2018. The majority of risks are rated 'low' and all risks are being actively mitigated.
- 4.2. The single greatest risk to the council is the rate of sales and the overall condition of the local housing market. Fluctuations in the local housing market in 2019 may (or may not) be affected by the Brexit impact next year. The financial projections contained in section 3.1. are based on up to date market projects based on data from Savills which have been consistently used for all of the business plan projections. Equinox will continue to monitor sales closely in 2019.

5. LEGAL

The Companies Act (2006) does not require a company like Equinox to have a company secretary. However, to strengthen the overall approach to governance the company recommended the appointment of a named company secretary and this was approved at the Board on 1 October 2018.

6. RECOMMENDATION

That Equinox Enterprises Ltd replace Jane Beck (Head of Property & Asset Management) as a Director and that David Glason (Development Director) is appointed to the Board as a new Director of Equinox Enterprises.

Areas of consideration: e.g. does this report raise any of the following issues and if so how have these been considered/mitigated against?

Area for consideration	Comment
Monitoring Officer Consultation:	Yes
Section 151 Officer Consultation:	Yes
Existing Council Policies:	No
Financial Implications:	Yes
Legal Implications (including human rights):	Yes
Risk Implications:	Yes
Equality Issues/EQIA assessment:	No
Crime & Disorder:	No
Every Child Matters:	No

EAST WOOD (BEACON PARK PHASE 1) PROJECT PLAN

Project Planner

Select a period to view

Month

Actual Start

% Complete

Actual (beyond plan)

% Complete

% Complete (beyond plan)

ACTIVITY

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COMPLETE

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