

Bath & North East Somerset Council

MEETING/ DECISION MAKER:	Single Member Decision by Leader as Shareholder	
MEETING/ DECISION DATE:	On or after 23rd March 2024	EXECUTIVE FORWARD PLAN REFERENCE:
		E 3523
TITLE:	Aequus Shareholder Reserve Matters Decisions	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 – Aequus Business Plan 2024/25 to 2026/27 Appendix 2 – Council Investment Forum – Terms of Reference		

1 THE ISSUE

- 1.1** Aequus is a wholly owned company of Bath & North East Somerset Council and was established in 2016 to develop housing through the use of surplus Council property assets and land. The Council is the sole Shareholder of the wholly owned company.
- 1.2** This report seeks approval of the Leader in their executive capacity as Shareholder to the next 3-year Business Plan. The report also seeks approval for some changes to the terms of reference for the Council's Investment Forum.
- 1.3** Approval is also being sought for Shareholder Reserved Matters to amend the Aequus Non-Executive remuneration levels and appoint the new Aequus Non-Executive Chair to the Companies non-executive board.

2 RECOMMENDATION

The Leader is asked to;

- 2.1** Approve the Aequus Business Plan for the period 2024/25 to 2026/27 as set out at Appendix 1 subject to a review by the Board within 6 months following the appointment of the chair and an updated plan being produced.

- 2.2 Approve the Aequus Non-Executive Remuneration be set at £5,000 per Annum for a Non-Executive Director and £12,000 per Annum for the Non-Executive Chair.
- 2.3 Approve the Appointment of Sally Higham as Non-Executive Chair with effect from 7th May 2024 for a first term of 4 years.
- 2.4 Approve to delegate the Shareholder function role on the Brunel Partnership Board to the chair of the Avon Pension Fund Committee

3 REPORT CONTEXT

- 3.1 Aequus has been trading successfully since 2016 and has provided an effective mechanism to repurpose surplus council land and properties into homes for local people. To date it has delivered 217 homes across B&NES and has 41 currently under construction and a potential pipeline of 600+ homes.
- 3.2 The last business plan 2021-2024 has seen the company establish itself with partnerships in South Gloucestershire to help provide a more resilient supply of land through which to meet the business plan and in turn the objective of the Council as Shareholder. The appended plan for 2024-2027 highlights many of the successful schemes that have already been delivered or are currently under construction.
- 3.3 The company has met its financial performance targets over the last business plan period to return dividends to its Shareholder, Bath & North East Somerset Council, which have provided an income to support the Council's budget and expenditure on frontline services such as adult social care.
- 3.4 The Company has also supported the Council in its corporate capacity to deliver affordable homes, with a mandate to deliver a minimum policy compliant affordable housing outcome (typically 30%) on every site it delivers. In addition, social housing schemes have been commissioned by the Council and delivered by Aequus to focus on social rented council owned homes.
- 3.5 The Council has prioritised the delivery of '*the right homes in the right places*' through the adoption of its Corporate Plan identifying housing as one of the nine key priorities to support its one overarching purpose of ***Improving People's Lives***
- 3.6 The Economic Strategy (Decision E3499) has evidenced clear economic challenges associated with the current housing market, particularly the affordability and availability of homes for local economically active people. B&NES is now one of the least affordable places to live in the UK which affects our resident's ability to live close to where they work. There are multiple factors affecting the supply of homes that are affordable, but the Council has set clear priorities around addressing market failures to supply more affordable homes with a particular emphasis on delivering Council owned social housing. Aequus is one tool the Council has to enable this alongside its regeneration and direct delivery of social housing activity.
- 3.7 To support the delivery of the adopted Economic Strategy, the Council is preparing a set of action plans that set out the Council activity over the next 3-5 years. A Housing Delivery plan is being prepared that defined the actions the

Council will take to achieve the outcomes identified within both its Corporate Plan and Economic Strategy. The plan will include the contribution Aequus will make alongside the other actions of the Council that scale up delivery of social housing.

4 AEQUUS BUSINESS PLAN 2024/25 TO 2026/27

- 4.1** The Aequus Business Plan for the three-year period 2024/25 to 2026/27 (attached at Appendix 1) has been drafted by the Aequus Board to meet the Shareholder's objectives and expectations for the Company.
- 4.2** The Shareholder appointed independent Board, uses this document to oversee the Company, the Board only need to come back for the Shareholder to seek approvals where the actions are not covered by the Business Plan or for certain important key decisions set out in the Shareholder Agreement.
- 4.3** The Business Plan has been subject to consultation with Council officers, lead members and scrutiny at the Corporate Policy Development and Scrutiny Panel on 16th January 2024. Reflecting on the feedback received the plan specifically:
- Is subject to a review by the board within 6 months following the appointment of the new chair to enable the company to consider the Councils wider housing delivery plans in response to the adopted Economic Strategy and enable the chair to bring a fresh perspective and incorporate further objectives.
 - Sets out how the company has been successful in delivery and has developed its expertise and capacity. It is now entering a growth phase with increasing partnership activity and a clear pipeline of projects.
 - A commitment to deliver the commercial financial returns to the Shareholder set at £1m per annum rising to £1.5m per annum from 2026/27.
 - To support the Council in its delivery of more affordable homes, including social housing.
 - The continuing development of partnership working with the addition of North Somerset Council and exploring partnership opportunities within B&NES.
 - To support the Council in tackling the Climate emergency challenge by delivery low energy EPC "A" rated homes for new housing developments.
- 4.4** The Business Plan provides the basis of ensuring a sustainable company to deliver the Shareholder objectives. This includes providing for appropriate skills and resources to maximise future opportunities as they arise.

5 NORMAL SHAREHOLDER RESERVED MATTERS

As part of the regular cycle of Aequus business the Shareholder is asked to consider the Reserved Matters below for approval. These decisions would normally be taken directly by the Leader as Shareholder

Aequus Non-Executive Remuneration

- 5.1** In accordance with the requirements of the approved Remuneration Policy, to review the policy every two years, the Aequus Remuneration Committee have reviewed the policy with independent external advice.
- 5.2** The Remuneration Committee concluded that in general the policy remains appropriate with the exception of the non-executive roles where remuneration has not changed since 2019 and is now below the sector, the report identifying that remuneration is now below the lowest quartile for Council owned housing companies.
- 5.3** In accordance with the requirements of the policy and reflecting on comments from consultation with Leader and Chief Executive, the remuneration of the non-executives is to be set as follows:
- 5.4** Aequus Non-Executive Chair – current £10,000 per annum proposed to increase this to £12,000 per annum.
- 5.5** Aequus Non-Executive Director – current £4,000 per annum proposed to increase this to £5,000 per annum.
- 5.6** Subject to agreement, the increase will apply to all new and re-appointments to non-executive terms. The maximum total additional annual cost liability of the proposal would be £10,000. All such costs are met directly by Aequus.
- 5.7** The Shareholder is asked to agree the proposed future level of remuneration for the Chair and Non-Executive Directors following the review and approval of Remuneration Policy by the Aequus Remuneration Committee.

Appointment of Aequus Non-Executive Chair

- 5.8** The current Non-Executive Chair of Aequus, Charles Gerrish, concludes his 7-year term of office on 6th May 2024 and a rigorous recruitment process has been undertaken to select a new Non-Executive Chair to lead the Aequus Board through the next phase of its development and growth.
- 5.9** The recruitment process commenced in November 2023 and attracted strong interest from candidates. A longlist was developed to a shortlist of 5 candidates for a final selection day in early February 2024 which included a formal interview panel process and two separate stakeholder group sessions. Representatives from the Aequus Board, Aequus officers, Council lead members and Council officers were engaged in the process.
- 5.10** By unanimous agreement of the interview panel, it is recommended that the Shareholder appoints Sally Higham as the Aequus Non-Executive Chair effective from 7th May 2024. Sally has extensive executive and non-executive experience in the housing and commercial sectors together with her current role as Group Chair of the Rooftop Housing Group.

Decision to delegate Brunel Shareholder Role

- 5.11** Brunel Pension Partnership Ltd (Brunel) was set up in 2017 following Government guidance that all Local Government Pension Schemes (LGPS) should pool their investments. The Avon Pension Fund (APF) together with nine other Funds pooled their assets to create Brunel. Each of the ten administering authorities are equal shareholders.
- 5.12** B&NES is the administering authority for the Avon Pension Fund and B&NES' Leader of the Council currently acts as shareholder representative for Brunel.
- 5.13** The role of shareholder representative requires deep pensions and investment expertise. Therefore to enable better informed and quicker decisions on key resolution approvals for Brunel, The Fund proposes that the role of shareholder representative for Brunel is passed from the B&NES Leader of the Council to the Chair of the Avon Pension Fund.

6 STATUTORY CONSIDERATIONS

- 6.1** Aequus is a wholly owned B&NES group of companies, established by the Executive in accordance with the powers set out under S1 of the Localism Act 2011(the general power of competence). The Council approved a Transfer Agreement with Aequus in January 2020 which provides the basis for the transfer of surplus land and development sites from the Council to the Company, to support the delivery of the Shareholder objectives and subject to Shareholder approval of development.
- 6.2** The Council approved the current Shareholder Reserved Matters on 24th March 2022.

7 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 7.1** Section 6 of the Aequus Business Plan sets out the Company's financial assumptions and projections, including delivery against the Council's Medium Term Financial plan target of £1M of revenue returns each year, rising to £1.5M from 2026/27.
- 7.2** Section 9 of the Aequus Business Plan sets out the resourcing arrangements of the company. All staff are directly employed by Aequus Developments Ltd and all such related costs are met directly by the company.

8 RISK MANAGEMENT

- 8.1** A detailed risk assessment of the business plan has been undertaken by the company. The main risks to the Shareholder relates to the availability of land to deliver the business plan objectives, supply chain resilience, construction cost inflation and sales values. Risk management measures have been identified to mitigate this to acceptable risk tolerances through the diversification of land supply from the Council Corporate Estate asset review and partnership working. Market forces are managed through strengthening strategic supply chain relationships and continued prudence in cost and sales values on individual site by site business cases.

9 EQUALITIES

9.1 As a business planning decision, equalities impact of the actions flowing from this plan will be subject to equality impact assessments at each business case approval point. This decision has no adverse impact upon individuals with protected characteristics.

10 CLIMATE CHANGE

10.1 The Company aims set out by the Council Shareholder include the requirement to support the Council to meet its climate emergency objectives and best practice for property development. Section 7 of the Business Plan addresses how the company will do this in detail, including the use of the AECB Building Standard to achieve an energy performance certification rating of “A” for all new Aequus housing developments.

11 CONSULTATION

11.1 Consultation has taken place with the Statutory Officers and Cabinet Members, including the Council’s Investment Forum and Shareholder Advisory Board.

11.2 The draft Business Plan was also presented to the Corporate Policy Development and Scrutiny Panel on 16th January 2024.

Contact person	Simon Martin, Director of Capital and Housing Delivery
Background papers	Council Decision Company Protocol & Reservice Matters 24 th March 2022 - https://democracy.bathnes.gov.uk/documents/g6183/Printed%20minutes%2025th-Mar-2022%2011.00%20Council.pdf?T=1 Decision E3499 B&NES Economic Strategy
Please contact the report author if you need to access this report in an alternative format	