

Aequus Group

Presentation to Corporate Scrutiny Panel

Business Planning 2024/25 to 2027/28

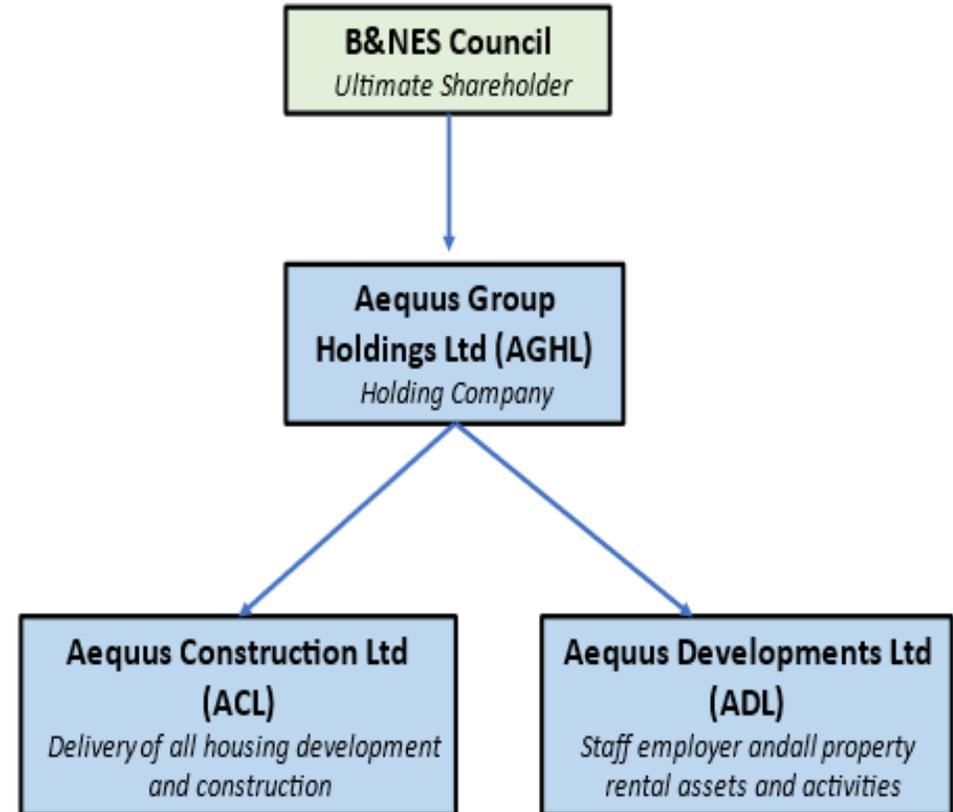
Commercial in confidence

Aequus Group Holdings Ltd is 100% wholly owned by Bath & North East Somerset Council



Company Background

- ADL established in 2016.
- Council Controlled – TECKAL compliant.
- Employing Body for staff – TUPE’s Feb 2020
- Asset Holding Company – 51 units
- LAHF delivery – 22 units
- ACL established in 2017
- Council Controlled – TECKAL compliant.
- Delivery of new housing developments
- Pipeline of Council sites (B&NES, South Glos and North Somerset)



Company Achievements 2022/23

- **Riverside View**, Keynsham (95 Apartments) head lease handed over to Tenant Mgmt Co.
- **Sladebrook Rd**, Bath (9 low energy homes) completed.
- **117 Newbridge Hill**, Bath – 7 Units social housing – completed.
- **Manor Gardens**, Frenchay – SGC – 30 Low Energy Homes commenced.
- **Crescent Gardens Lodge**, Bath – 3 temp accom units – progressing.
- **Theobold House**, Bath (11 temp accom units) progressing.
- **Argyle Works** (8 units) and **Westgate Street** (3 units) social housing gained planning approval.
- **Castle School** and **Charborough Rd** sites – SGC - Initial Business Cases approved.
- **B&NES Shareholder £1M annual return** – delivered.
- **Company Restructure** - AGHL approved.
- **ADL** - Rental void levels <5% and positive tenant survey response

Company Aims – Updated

- To support our Shareholders one overriding purpose “to improve people's lives”.
- To increase the housing stock for both the tenants and home-owner's market to meet the local housing need.
- To operate in a creative and innovative manner that works commercially.
- To support our local authority partners to tackle their climate and ecological emergency objectives and demonstrate best practice for property development.
- To assist B&NES Council in its delivery of social housing supporting its Corporate Strategy priorities for affordable housing, accessible to local jobs and services.
- To act as a responsible Landlord to our tenants, ensuring our properties are maintained to a good standard.

Pipeline - B&NES Housing & Regeneration

- 26 Affordable Social Rented homes in Planning and Delivery
- 22 Local Authority Housing Fund Homes progressing
- Proposals for advanced delivery of Affordable Block at Midland Road under consideration (at least 44 units)
- Progressing planning for BQN market housing plots
- Future council land supply key to achieving objectives
- Potential to explore options for Aequus to support future Council Owned housing.
- Striking the right balance between “affordable” and “for profit” activity
- Pipeline under development.

Pipeline - Partnership Working

South Glos

- Manor Garden progressing well with completion in 2024 - shortlisted for Bristol Property Awards
- 2 Other sites progressing

North Somerset

- Very positive discussions with focus on delivery
- Proposals for 3 sites under consideration – same approach as SGC
- Council meeting earlier in January to consider

Other Neighbouring Authorities

- Some positive discussions – each at differing stages with own companies, internal asset reviews and wider reorganisation challenges – potential for further discussion in future.

Meeting the Climate Emergency

- B&NES Green Planning Policy
- Continued Focus on AECB Standard / EPC A for new build
- Costs and consent challenges for listed buildings
- Further enhancements including battery storage and Ovo Energy – “zero bills” scheme
- Home buyers more focussed on running costs
- Some evidence that low energy homes achieving a higher sales price

Efficient Company Structure

- Corporation Tax increased to 25% from April 2023.
- Revised company structure for larger sites may provide opportunities to maintain majority of profits.
- Potential to ring-fence development risk as scale of delivery grows.
- Could provide additional funding for viability challenges, affordable housing, regeneration etc.
- Aequus could explore this further with B&NES as appropriate.
- Any changes subject to future Shareholder approval.

Sustaining Financial Returns to Shareholder

- Current revenue financial return requirement is £1M per annum – potential to increase from 2026/27
- Has been delivered in full over recent years.
- Rising build costs and increasing interest rates, together with challenging market conditions currently challenging margins.
- Affordable housing activity with no profit element also presents a balance of activity focus.
- Pipeline of market sites for delivery will be key to achievement of this objective.
- Manor gardens only “for profit” site in delivery.
- Partnership working will help diversify reliance on B&NES sites.

Financials – ACL Forecast P&L

	ACCOUNTING FINANCIAL YEAR			
	23/24	24/25	25/26	26/27
	£'s	£'s	£'s	£'s
<u>Company Sales</u>				
BANES's				
Bath Quays North Plots 6 & 7				12,000,000
Infill Sites (to be identified)				5,150,000
South Glos				
Malmains Drive (South Glos)	4,839,896	6,615,104		
Charborough Road				7,000,000
North Somerset				
MSN - Dolphin Square				3,000,000
MSN - Walliscote Road				3,000,000
BANE's Affordable Homes	1,202,565	7,119,412	8,357,365	0
Commissioned Services	1,320,594	973,777	449,285	300,000
Total Sales	7,363,055	14,708,293	8,806,650	30,450,000
<u>Costs</u>				
Development Costs of Sales	-4,118,377	-5,763,070	0	-25,627,500
Affordable Housing Cost of Sales	-1,122,902	-6,656,650	-7,714,136	-100,000
Commissioned Services Costs	-1,236,399	-910,481	-420,081	-280,500
Gross Profit / Loss	885,377	1,378,091	672,432	4,442,000
Overheads & Finance Costs	-570,499	-632,754	-648,573	-664,787
Interest on deposit	58,580	25,000	25,000	25,000
Profit before tax	373,458	770,337	48,859	3,802,213
Taxation	-93,365	-192,584	-12,215	-950,553
Distributable Profit after tax	280,094	577,753	36,645	2,851,660
Balance B/F	1,936,287	1,442,241	1,339,994	736,638
Dividend payable to AGHL	-774,140	-680,000	-640,000	-659,000
Balance C/F	1,442,241	1,339,994	736,638	2,929,298

Financials – Forecast Returns to Shareholder

<u>Aequus Revenue Returns to the Council</u>	Actual 2023/24 £'000	Budget 2024/25 £'000	Estimate 2025/26 £'000	Estimate 2026/27 £'000
ADL - Borrowing - Interest Charges	226	320	360	341
ACL - Borrowing - Interest Charges		-	-	-
AGHL - Dividend	774	680	640	659
Total Return to the Council	1,000	1,000	1,000	1,000

Also potential for additional returns from “overage profit” achieved on market housing sites

Draft Company Objectives (Operational)

Ref	2024-2025	2025-2027
OPERATIONAL		
1	To complete the development at Malmain Drive, South Glos and make substantial progress with the development at Argyle Works, Bath. Subject to planning and financials, to make a start on the Danes Lane, Keynsham development.	To identify and progress residential development opportunities for both the private market and affordable housing, subject to pipeline, planning consents and governance approvals of the relevant local authority partner.
2	To support B&NES Council with delivery of its affordable housing plans, including social housing, identifying suitable opportunities for affordable housing led developments.	To continue to identify suitable opportunities for affordable housing led developments, including social housing, on land owned or acquired by B&NES Council.
3	To deliver energy efficient homes (EPC A rated where practicable) and explore potential to deliver continued improvement in energy and carbon efficiency standards.	To deliver energy efficient homes (EPC A rated where practicable) and explore potential to deliver continued improvement in energy and carbon efficiency standards.
4	To develop our pipeline of sites with our local authority partners to support a sustainable business which meets the aims of the Shareholder	To develop our pipeline of sites with our local authority partners to support a sustainable business which meets the aims of the Shareholder
5	To ensure void levels on private rented homes remains below 5%	To ensure void levels on private rented homes remains below 5%
6	To complete delivery of Local Authority Housing Fund properties for refugees in accordance with the LAHF Agreement	To operate portfolio of Local Authority Housing Fund properties for refugees in accordance with the LAHF Agreement
7	As a responsible Landlord, to respond with 48 hours to all tenant enquiries and report landlord compliance quarterly to the Board.	As a responsible Landlord, to respond with 48 hours to all tenant enquiries and report landlord compliance quarterly to the Board.

Draft Company Objectives (Financial & Corporate)

FINANCIAL		
8	To deliver the following total revenue financial returns to the Shareholder	To deliver the following total revenue financial returns to the Shareholder (tbc)
8a	•2024/25 = £1,000K	
8b		•2025/26 = £1,000K (site & tenure dependant)
8c		•2026/27 = £1,000K+ (site & tenure dependant)
9	To continue to deliver B&NES commissioned affordable housing schemes at cost and overhead rate only - profit margin to be	To continue to deliver B&NES commissioned social housing schemes at cost and overhead rate only - profit margin to be waived.
10	To maintain a development loan to value ratio below 75% on all developments.	To maintain a development loan to value ratio below 75% on all developments.
CORPORATE		
11	To support B&NES Council as required to explore the appropriate role of the Aequus Group as part of options relating to any future Housing Revenue Account	To support B&NES Council as required to explore the appropriate role of the Aequus Group as part of options relating to any future Housing Revenue Account
12	To continue to support partnership working with neighbouring councils on a 'Sales and Overage' basis and support B&NES in developing partnership opportunities with local anchor organisations.	To continue to support partnership working with neighbouring councils on a 'Sales and Overage' basis and support B&NES in developing partnership opportunities with local anchor organisations.
13	To bring forward with B&NES Council options for structural changes to provide a tax efficient vehicle for the delivery and reinvestment of surpluses into delivery of enhanced affordable housing and regeneration schemes	To lead the delivery of any approved option changes to the Company governance structure to deliver agreed objectives.
14	To attend relevant housing seminars, training and information sharing events to maintain awareness of best practise and future developments.	To attend relevant housing seminars, training and information sharing events to maintain awareness of best practise and future developments.
15	To promote the use of local suppliers when procuring works and services	To promote the use of local suppliers when procuring works and services

Business Planning Next Steps

Finalising Shareholder Objectives + Pipeline



Consultation with Council Officers / Scrutiny etc.



Shareholder Approval (March 2024)

And Finally - Examples of Achievements

