

# Corporate Policy Development and Scrutiny Panel

**Date: Tuesday, 24th September, 2019**

**Time: 4.00 pm**

**Venue: Kaposvar Room - Guildhall, Bath**

**Councillors:** Paul Myers, Winston Duguid, Mark Elliott, Andrew Furse,  
Hal MacFie, Manda Rigby, Alastair Singleton, Shaun Hughes and  
Karen Warrington

**There will be a pre-meeting for members of the Panel only between 3.30pm – 4.00pm.**

**Mark Durnford**

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## NOTES:

1. **Inspection of Papers:** Papers are available for inspection as follows:

Council's website: <https://democracy.bathnes.gov.uk/ieDocHome.aspx?bcr=1>

Paper copies are available for inspection at the **Public Access points:-** Reception: Civic Centre - Keynsham, Guildhall - Bath, The Hollies - Midsomer Norton. Bath Central and Midsomer Norton public libraries.

2. **Details of decisions taken at this meeting** can be found in the minutes which will be circulated with the agenda for the next meeting. In the meantime, details can be obtained by contacting as above.

## 3. **Recording at Meetings:-**

The Openness of Local Government Bodies Regulations 2014 now allows filming and recording by anyone attending a meeting. This is not within the Council's control.

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<https://democracy.bathnes.gov.uk/ecCatDisplay.aspx?sch=doc&cat=12942>

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## Corporate Policy Development and Scrutiny Panel - Tuesday, 24th September, 2019

at 4.00 pm in the Kaposvar Room - Guildhall, Bath

### A G E N D A

1. WELCOME AND INTRODUCTIONS

2. EMERGENCY EVACUATION PROCEDURE

The Chair will draw attention to the emergency evacuation procedure as set out under Note 6.

3. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

4. DECLARATIONS OF INTEREST

At this point in the meeting declarations of interest are received from Members in any of the agenda items under consideration at the meeting. Members are asked to indicate:

(a) The agenda item number in which they have an interest to declare.

(b) The nature of their interest.

(c) Whether their interest is **a disclosable pecuniary interest** *or* an **other interest**,  
(as defined in Part 2, A and B of the Code of Conduct and Rules for Registration of Interests)

Any Member who needs to clarify any matters relating to the declaration of interests is recommended to seek advice from the Council's Monitoring Officer or a member of his staff before the meeting to expedite dealing with the item during the meeting.

5. TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIRMAN

6. ITEMS FROM THE PUBLIC OR COUNCILLORS - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS RELATING TO THE BUSINESS OF THIS MEETING

At the time of publication no notifications had been received.

7. MINUTES - 15TH JULY 2019 (Pages 7 - 14)

8. CABINET MEMBER UPDATE

The Cabinet Member will update the Panel on any relevant issues. Panel members may ask questions on the update provided.

9. REVENUE AND CAPITAL BUDGET MONITORING, CASH LIMITS AND VIREMENTS - APRIL 2019 TO JULY 2019 (Pages 15 - 46)

This report was considered by the Cabinet at their 12th September 2019 meeting. It presents the April 2019 to July 2019 revenue and capital budget monitoring for 2019/20.

10. MEDIUM TERM FINANCIAL STRATEGY & CORPORATE PLAN UPDATE (Pages 47 - 80)

This report was considered by the Cabinet at their 12th September 2019 meeting. It presents the future years Medium Term Financial Strategy and emerging Corporate Plan.

11. PEOPLE STRATEGY (Pages 81 - 106)

A draft version of the People Strategy is attached for the Panel to discuss. A presentation will be given at the meeting to introduce the strategy.

12. COUNCIL COMPANY ACCOUNTS 2018/19 (Pages 107 - 182)

This report invites the Panel to view the annual accounts of Aequus Developments Limited (ADL), Aequus Construction Limited (ACL) and Visit Bath.

13. PROTOCOL ON COUNCIL COMPANY GOVERNANCE (Pages 183 - 196)

This report provides an opportunity for scrutiny of the proposed changes to the Council's Protocol on Council company governance.

14. PANEL WORKPLAN (Pages 197 - 200)

This report presents the latest workplan for the Panel. Any suggestions for further items or amendments to the current programme will be logged and scheduled in consultation with the Panel's Chair and supporting officers.

The Committee Administrator for this meeting is Mark Durnford who can be contacted on [mark\\_durnford@bathnes.gov.uk](mailto:mark_durnford@bathnes.gov.uk), 01225 394458.

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**BATH AND NORTH EAST SOMERSET**

**MINUTES OF CORPORATE POLICY DEVELOPMENT AND SCRUTINY PANEL**

Monday, 15th July, 2019

Present:- **Councillors** Winston Duguid, Mark Elliott, Hal MacFie, Manda Rigby, Alastair Singleton, Shaun Hughes and Karen Warrington

**Cabinet Member for Resources:** Councillor Richard Samuel

Also in attendance: Andy Rothery (Head of Management Accounts), Andy Thomas (Head of Strategy Engagement & Marketing) and Donna Vercoe (Senior Scrutiny Officer)

**1 WELCOME AND INTRODUCTIONS**

Councillor Winston Duguid, Vice-Chair of the Panel announced that due to the absence of the Chairman, Councillor Paul Myers that he would act as Chair for the duration of the meeting.

He welcomed everyone to the meeting and Panel members introduced themselves.

**2 EMERGENCY EVACUATION PROCEDURE**

The Chairman drew attention to the emergency evacuation procedure.

**3 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

Councillors Paul Myers and Andrew Furse had sent their apologies to the Panel.

**4 DECLARATIONS OF INTEREST**

There were none.

**5 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIRMAN**

There was none.

**6 ITEMS FROM THE PUBLIC OR COUNCILLORS - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS RELATING TO THE BUSINESS OF THIS MEETING**

There were none.

**7 CABINET MEMBER UPDATE**

Councillor Richard Samuel, Cabinet Member for Resources addressed the Panel. He explained that within his portfolio were not just financial resources, he also had components of property, economic regeneration, customer services and information technology.

He stated that his main work focus since taking office had been to redefine the Council's decision making timetable taking into account the financial reporting constraints and to introduce new performance management arrangements in connection with the Council's major projects and activities.

He said that there should be a transparent decision making process and that he wanted to work with the Panel in his role as Cabinet Member.

He explained that initial discussions on the Medium Term Financial Strategy would begin in September and that it may be possible at that stage for the Panel to receive a high level presentation.

The Chair thanked Councillor Samuel for his update on behalf of the Panel.

## **8 REVENUE & CAPITAL OUTTURN 2018/19**

The Head of Management Accounts introduced this item to the Panel. He explained that the report presents the revenue and capital outturn for 2018/19, highlighting a net revenue over budget position of £0.92m. He said that the position had vastly improved through actions including a recruitment freeze that had been implemented during the financial year.

He added that the improvement has continued since the last report, which forecast an over budget position of £3.21m based on monitoring for the year to December 2018, mainly due to improvements in income generation within Heritage Services, and a reduction in capital financing costs arising from the review of the capital programme and rephasing of capital projects.

He stated that the 2018/19 approved budget included the requirement for the delivery of £16.99m of savings. He explained that the final outturn position included achievement of £13.58m or 80% of the savings target compared to 82% delivered in 2017/18. He added that savings items that are no longer deliverable in 2018/19 have been reviewed alongside other recurring budget pressures and have been incorporated into the financial planning assumptions for the 2019/20 budget. He said that it is expected that delayed savings totalling £3.4m will be delivered in 2019/20.

He informed the Panel that the Overall Dedicated Schools Grant for 2018/19 was £135.60m, however of this sum £84.63m was returned to the DFE to be allocated to academies, £20.75m was allocated to schools through funding formula, with the remaining £30.23m retained by the LA to support Special Educational Needs, central expenditure and Early Years.

He stated that the final outturn position on the Council Tax Collection Fund was a surplus of £0.691m for the Council's share, this represents a 0.8% variance against target income. He explained the reason for the surplus was mainly due to the number of chargeable dwellings being slightly higher than forecast. He said that the collection rate for Council Tax was 98.22% (98.12% 2017/18).

He said that the capital spend in 2018/19 was £88.043m (75%) against a budget of £117.185m giving a variance of £29.142m, primarily reflecting the delivery time to



complete projects moving into future financial periods. He added that of this variance, £29.042m is requested for carry forward to 2019/20 to cover re-phased costs of capital projects.

Councillor Karen Warrington asked if the 20% of savings not achieved was mainly attributable to Children's Services.

The Head of Management Accounts replied that the Home to School Transport budget was overspent in 2018-19 mainly due to the increasing demands of SEND pupils.

Councillor Richard Samuel, Cabinet Member for Resources commented that he recognised that it will be increasingly difficult for the Council to make savings. He added that in terms of the budget for next year, a longer timescale could be set with regard to savings. He said that more rigour was required in terms of savings and would appreciate Panel involvement in the process.

He stated that the Children's Services budget had recently been rebased, but was currently showing a £1.6m overspend.

Councillor Shaun Hughes asked if it were able to predict whether the overspend would continue for a further year.

Councillor Richard Samuel replied that he would look to start immediate conversations with service areas if problems reoccur and said that some solutions were not a quick fix.

Councillor Hal MacFie asked how any budget underspend is managed.

The Head of Management Accounts replied that a similar process is carried out and added that it was not good practise to ring fence any underspend. He said that if appropriate underspend can be put into reserves.

Councillor Hal MacFie asked if following cuts to staffing figures were there enough left to do the projects / work.

The Head of Management Accounts replied that staff reductions were well considered prior to implementation with managers asked to consider how there services could work differently.

The Chair asked if KPI's (Key Performance Indicators) were in effect in Customer Services.

Councillor Richard Samuel replied that they were, but not to the extent that he would like. He added that he would like to see more public facing measures to be judged upon.

The Head of Strategy Engagement & Marketing added that this was an opportunity to build in new ones linked to the Council's own priorities.

Councillor Hal MacFie asked if the Panel could see any proposed new indicators.

Councillor Richard Samuel replied that the Panel should have a role in shaping them.

Councillor Mark Elliott said that the development of the metrics used will be vital.

Councillor Richard Samuel said that he will look for the indicators to drive improvement.

The Chair commented that the current narrative regarding the Council's resources must be shared with the public to manage the expectation of supply -v- demand. He asked whether any Unitary Authority had visibility of their future funding.

Councillor Richard Samuel replied that there is uncertainty over the levels the Council will receive from the Better Care Fund and income from Business Rates and added that the current instability of national Government was not helpful.

The Head of Management Accounts gave the Panel a presentation on the Budget Monitoring Process, a summary is set out below.

- We report on our Revenue and Capital budgets quarterly to Cabinet, this looks at the financial forecast to year end against approved budget and delivery of savings.
- Our quarterly reports cover revenue monitoring against all of the Councils budget headings, the Capital Programme and detailed Savings monitoring
- The finance team also produces monthly Dashboard reporting that focusses on the high risk budgets across the Council, delivery of savings and emerging financial opportunities and risks for budget planning
- 2019/20 Savings Delivery and Assurance: Regular Directors Group Plus slots provide Director led updates on the implementation of plans and delivery of savings. The Current Budget has approved savings of £8.85m in 2019/20
- Slot 1: Delivery plan overview, covering: progress to date, resourcing requirements inc. finance and HR requirements / other support, implementation timescale, critical success factors, how will implementation impact ongoing service provision, assessment of savings deliverable in 2019/20, inc. impact on budget if phased implementation, risks / issues and requests to SMT / Directors Group Plus
- Slot 2: Savings delivery update: achievement against implementation timescale, what are the key achievements / success factors, savings delivered / savings to be delivered, risks / issues that need raising and support required from SMT / Directors Group Plus

Councillor Hal MacFie asked how timely the information will be that the Panel receives.

Councillor Richard Samuel replied that the Council calendar does not always match up with the financial reporting timescales which was why he was looking to introduce a new format from 2020.

Councillor Karen Warrington asked if the Panel could have input into these timetable changes.

Councillor Richard Samuel replied that he would share a draft of the calendar as soon as was possible.

The Panel **RESOLVED** to;

- (i) Acknowledge the Revenue & Capital Outturn Cabinet Report 2018/19.
- (ii) Note the presentation on the Councils financial monitoring process.

## **9 CORPORATE STRATEGY FRAMEWORK**

The Head of Strategy Engagement & Marketing introduced this item to the Panel. He explained that the new Corporate Strategy will bring together the Council's key service commitments, its wider financial strategy and change programme, including initiatives such as moving to a more digital approach to service delivery and the priorities, plans and focus for change of the new administration.

He stated that the new Corporate Strategy will set the context for the Council's financial and budget strategy in light of the new administration's priorities and be built around a 4 -phase planning cycle.

- Phase One – Plan, prioritise and decide
- Phase Two – Gear up and start delivery
- Phase Three – Continue to deliver and realise benefits
- Phase Four – Review and future planning

He said that Policy Development and Scrutiny (PDS) members will have a key role throughout the lifetime of the Corporate Strategy, with particular aspects emphasised at certain phases in the planning cycle.

He explained that a programme of engagement on the draft Strategy will be carried out later on the year with a view to adopting the final version by February 2020.

Councillor Richard Samuel commented that the Corporate Strategy will translate political commitments into delivery. He added that it will bring forward the pledges made in the Liberal Democrat election manifesto into the structure of the Council.

He stated that key elements will include:

- Social Housing / Affordable Housing / Council Housing
- Clean Air Zone
- Local Bus Network

Councillor Amanda Rigby commented that February 2020 must be a definite end date for adoption and that if it can be earlier she for one would welcome that. She stated that our political goals need to be delivered and implemented.

Councillor Shaun Hughes said that project timescales should be available publicly.

Councillor Samuel agreed and said that in terms of Council Housing there was a process to be followed to allow delivery.

Councillor Karen Warrington commented that to enable a digital approach to service delivery rural area solutions will be needed. She said that she hoped the Strategy would not be Bath centric as public transport solutions are also required in North East Somerset. She asked what resources will be required to implement the Citizens Juries.

The Head of Strategy Engagement & Marketing replied that Citizens Juries comprise of a random selection of members of the public to consider a specific Council area of work. He added that they are briefed by experts on the topic in question. He said that the Council was working with the University of Bath to establish the resources required in respect of advisors and facilitation.

Councillor Samuel stated that the Strategy would be a document for the whole Council and acknowledged the need for public transport to be improved rurally. He added that housing opportunities were more likely to be focussed in North East Somerset due to land availability and price. He said that Parishes will be addressed as this work progresses.

Councillor Karen Warrington said that any development must come with the appropriate infrastructure including transport and local amenities.

Councillor Samuel said that he agreed that the Council should not create housing for low income families in areas without the appropriate facilities. He said that the Council will work with Parishes with regard to the location of any new housing.

Councillor Shaun Hughes commented that infrastructure investment was also required within Midsomer Norton.

The Panel **RESOLVED** to:

- (i) Note the emerging strategic themes, process and approach for the new Corporate Strategy
- (ii) Request that the Panel is updated regularly and involved in developing the new Corporate Strategy framework providing policy development, scrutiny and review of its implementation
- (iii) Agree that the Corporate Strategy should be accompanied by a rigorous, public-facing performance monitoring regime which highlights the Council's performance against planned delivery.

## 10 PANEL WORKPLAN

The Chair introduced this item to the Panel and asked if they had any proposals that they would like to be considered.

Councillor Karen Warrington asked for an update on the Corporate Strategy to be added to the workplan for September 2019.

The meeting ended at 5.50 pm

Chair(person) .....

Date Confirmed and Signed .....

**Prepared by Democratic Services**

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<b>Bath &amp; North East Somerset Council</b>	
MEETING:	<b>Corporate Policy Development &amp; Scrutiny Panel</b>
MEETING:	<b>24<sup>th</sup> Sept 2019</b>
TITLE:	<b>Revenue &amp; Capital Budget Monitoring, Cash Limits and Virements – April 2019 to July 2019</b>
WARD:	All
<b>AN OPEN PUBLIC ITEM</b>	
<p><b>List of attachments to this report:</b></p> <p>Revenue &amp; Capital Budget Monitoring, Cash Limits and Virements – April 2019 to July 2019 Cabinet Report</p> <p>Appendix 1: Revenue Dashboard</p> <p>Appendix 2: Capital Dashboard</p>	

## **1 THE ISSUE**

- 1.1 The report was considered by the Cabinet at their 12<sup>th</sup> September 2019 meeting. It presents the April 2019 to July 2019 revenue and capital budget monitoring for 2019/20.

## **2 RECOMMENDATION**

The Panel is asked to;

- 2.1 Note and discuss the Revenue & Capital Budget Monitoring report.

## **3 THE REPORT**

- 3.1 The Revenue & Capital Budget Monitoring report and supporting detailed appendices are included as the appendices to the paper and for Panel consideration.
- 3.2 The summarised Council budget monitoring position is as follows, full details are included in the main report:

The net revenue forecast position for 2019/20 is £1.68m over budget, representing 0.6% of gross budgeted spend.

Main pressures at portfolio level arose in:

- Children Services £1.03m (Children Social Care demand pressures)
- Resources £1.99m (Commercial Estate income and phased implementation of “Improving How We Work” savings programme)

Main favourable areas at portfolio level:

- Community services £0.42m (Heritage Services – Roman Baths strong visitor performance)

Over budget position mitigated by use of the Revenue Budget Contingency reserve (would require replenishment as part of 2020/21 budget)

To help mitigate an over budget position at year end, Directors are developing in year recovery plans, including:-

- Holding / deleting vacant posts,
- Centralising and reducing discretionary spend,
- Consider Voluntary Redundancy requests to enable agreed staffing savings.

Capital spend is forecast to be £30.5m (25%) below budget, mainly reflecting re-profiled spend programme on Bath Quays projects and re-profiling of forecast commitments against the property company (Aequus) loan facility.

#### **4 STATUTORY CONSIDERATIONS**

- 4.1 The annual Medium Term Financial Strategy and planning process allocates resources across services with alignment of these resources towards the Council's corporate priorities. The attached report monitors how the Council is performing against the budget and Capital Programme set in February 2019.

#### **5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)**

- 5.1 These are contained throughout the attached report and appendices.

#### **6 RISK MANAGEMENT**

- 6.1 A risk assessment related to the issue and recommendations will be undertaken, in compliance with the Council's decision making risk management guidance.

#### **7 CLIMATE CHANGE**

- 7.1 This is an information only report about the Council's forecast financial performance against budgets set for 2019/20, it therefore does not include any decisions that have a direct impact on Climate Change.

#### **8 OTHER OPTIONS CONSIDERED**

- 8.1 None

#### **9 CONSULTATION**

- 9.1 The Cabinet Member for Resources has been consulted on the drafting of this report as well as the S151 Officer and Monitoring Officer.



<b>Contact person</b>	Andy Rothery, Head of Management Accounts (01225 477103)
<b>Background papers</b>	2019/20 Revenue and Capital Budget Setting reports, Budget Management Scheme
<b>Please contact the report author if you need to access this report in an alternative format</b>	

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## Bath & North East Somerset Council

MEETING:	Cabinet		
MEETING DATE:	12 <sup>th</sup> September 2019	EXECUTIVE FORWARD PLAN REFERENCE:	
		E 3156	
TITLE:	Revenue and Capital Budget Monitoring, Cash Limits and Virements – April 2019 to July 2019		
WARD:	All		
AN OPEN PUBLIC ITEM			
List of attachments to this report:			
Appendix 1 – Revenue Monitoring Commentary			
Appendix 2 – Key Scheme Capital Monitoring Commentary			
Appendix 3 (i) & 3 (ii) – Proposed Revenue Virements & Revised Revenue Cash Limits 2019/20			
Appendix 4 (i) & 4 (ii) – Capital Virements & Capital Programme by Portfolio 2019/20			

## **EXECUTIVE SUMMARY**

### **a) Revenue budget**

The Revenue budget outturn is currently forecast to be £1.68m over budget. The areas over budget are mainly due to additional demand in Childrens Services £1.03m and a c£1m shortfall in income from Commercial Estate, there are a number of other smaller variances that amount to £0.32m favourable. Whilst the Childrens Services budget was re-based for 2019/20 there has been an unexpected increase in specialist Health and Social Care placements, Commercial Estate is due to a slowing down of high street retail income. To provide mitigation to this position Managers have been requested to develop cost reduction plans and to minimise spend wherever possible which will further improve the year-end position.

### **b) Capital budget**

The capital budget is currently showing an expected under budget position of £30.5m mainly due to re-phasing of Bath Quays and ACL/ADL loan drawdowns into future financial years to reflect revised project spend profiles.

### **c) Council Tax and Business Rates**

The current forecast Council's share of the year end Collection Fund position is:

- Council Tax – Surplus of £0.44m (2018/19 Surplus £0.69m)
- Business Rates – Surplus of £1.59m (2018/19 Surplus £0.76m)

### **d) Council Reserves**

Council reserves will be required to mitigate the current position if the actions being put in place are not successful. The current position would require use of £1.68m of the Budget Contingency Reserve (which was set up to mitigate budget risk). Provision will need to be made within the 2020/21 budget to replenish the Budget Contingency Reserve for any drawdown made during 2019/20.

## **1 THE ISSUE**

- 1.1 This report presents the financial monitoring information for the Authority as a whole for the financial year 2019/20 to the end of July 2019.

## **2 RECOMMENDATION**

The Cabinet is asked to agree:

- 2.1 To note the 2019/20 forecast over budget of £1.68m (as at the end of July 2019) and the recovery plan actions outlined in Appendix 1;
- 2.2 To note the mitigations that will be required shown in paragraph 3.6, if the over budget position cannot be reduced by the end of the financial year
- 2.3 To approve the revenue virements listed for approval in Appendix 3(i) and to note those virements listed for information only.
- 2.4 To note the capital year-end forecast detailed in paragraph 3.15 of this report;
- 2.5 To note the changes in the capital programme including capital schemes that have been agreed for full approval under delegation listed in Appendix 4(i)

### 3 THE REPORT

3.1 The Budget Management Scheme requires that the Cabinet consider the revenue and capital monitoring position four times per year.

#### REVENUE BUDGET

3.2 Service Directors have been asked to outline the actual expected outturn for the year and the reasons to date for over / under budget forecasts. For revenue budgets which are forecast to be over budget, the Directors are expected to seek compensating savings to try and bring budgets back to balance. To achieve this the Directors will develop in year recovery plans, including:-

- Holding / deleting vacant posts;
- Centralising and reducing discretionary spend;
- Considering Voluntary Redundancy requests to enable agreed staffing savings.

3.3 A summary by Portfolio of the revenue position as at 31<sup>st</sup> July 2019 is shown in the table below:

Portfolio	Revised Budget £'m	Year End Forecast £'m	Variance Over / (Under) £'m
Leader	(0.36)	(0.41)	(0.05)
Resources	8.03	10.02	1.99
Adult Services	62.45	62.45	-
Children's Services	28.71	29.74	1.03
Climate Emergency & Neighbourhood Services	15.92	15.93	0.01
Transport Services	(0.58)	0.01	0.59
Housing, Planning & Economic Development	3.27	3.19	(0.08)
Community Services	(3.87)	(4.29)	(0.41)
Smoothing reserve to be allocated		(1.40)	(1.40)
<b>Total</b>	<b>113.57</b>	<b>115.24</b>	<b>1.68</b>

Note1: Some of the figures in this table are affected by rounding.

- 3.4 The current **year-end** forecast is an over budget position of £1.68m, which equates to 0.59% of gross budgeted spend (excluding Schools).

### **Portfolio Commentary**

- 3.5 Key variances and associated actions by Portfolio are as follows, a more detailed breakdown can be found in Appendix 1.

#### **Leader (£0.05m under budget)**

The variance is mainly due to a positive forecast in the return to the Council from the Aequus group, this will depend on property transfer targets being achieved. This has mitigated an adverse variance in the destination management contract with Visit Bath; this is due to the phased implementation of company changes that will deliver savings from 2020/21.

#### **Resources (£1.99m over budget)**

Portfolio variances are mainly attributable to a £1m shortfall on Commercial Estate income; this is due to a slowing down of retail income resulting from a UK wide structural change in the retail economy and the decision to limit further acquisitions of new income generating commercial assets as a result of changes in investment and Treasury Management guidance, which has impacted on the delivery of the annual savings target. This has been recognised as an ongoing risk and incorporated into the 2020/21 budget planning assumptions as an unavoidable pressure. To off-set this, a re-balancing of the commercial estate is taking place into other sectors, where possible, and capacity will be increased to more rapidly return voids to the market and the performance of commercial estate income will continue to be closely monitored.

There is also an adverse variance of c£1.4m as a result of the phased implementation of the Improving How We Work savings programme; this is being mitigated through the planned use of smoothing reserves with savings to be realised in full towards the end of the financial year.

There are favourable variances in Information Technology, Corporate Budgets and Risk & Assurance Services that have partially mitigated a pressure in Legal Services alongside the above adverse variances.

#### **Adult Services (on budget)**

The Adult Service Portfolio is on budget, however this has utilised £0.53m of the Adult Social Care reserve. This is planned use of the reserve, with the reserve funding ring fenced for the use on Adult Social Care expenditure. This has mitigated the over budget forecast in Learning Disabilities from new transition placements and placement pressures in Mental Health. There has been positive income from service user contributions that is helping mitigate the rising costs of care packages.

There has been some good progress on Social Care savings plans which is reflected in the monitoring position, with savings commentary in section 3.7 of this report.

### **Childrens Services (£1.03m over budget)**

The Childrens Services financial position is £1m over budget; this is due to a £0.5m increase in the Joint Agency Panel specialist placements pooled budget. There has been an additional 5 placements in this financial year in addition to the full year effect of prior year placements. This budget and the placements it is funding are being reviewed by Social Care and Health commissioners to explore what cost management options are available. There has also been an increase in Childrens Social care residential placements alongside Unaccompanied Asylum Seeker Children costing more than the Government grant funding.

Management action includes all requests for children to come into care are subject to service manager scrutiny. Placement with family is always considered before care placement. We regularly review whether any children in care can return home. The Placements, Contracts and Commissioning Team use a preferred provider framework and dynamic purchasing system to negotiate the best value. We are reviewing our recruitment strategy for in house foster carers to reduce the need to use more costly independent fostering agencies.

In addition to the above there is an increase in SEND placements that is funded from the high needs block within the Dedicated Schools Grant, the above budget costs are £2.35m. This cost pressure has been recognised by the Council with a contingency budget of £2.35m for SEND made available to help prevent a negative DSG balance; however the current forecast indicates a further a £0.12m pressure to the DSG that will not be funded by Council reserves and require recovery plans.

### **Climate Emergency & Neighbourhoods (£0.01m over budget)**

There are no material variances to report for the April – July monitoring report; services are forecast to be on budget at year end.

### **Transport Services (£0.59m over budget)**

There is a reported pressure in Parking from income under recovery of £0.28m; this is largely attributable to early signs of behaviour changes following the new off street parking pricing structure. There has also been a reduction in PCN income from vacancies in enforcement officers that need recruiting into, income levels are being monitored closely; this has been recognised as a potential financial planning pressure.

It is also forecast that CCTV income target of £150k will not be achieved, a service review of the Councils CCTV operations is planned in the coming months that will assess the technology and service configuration with a recommended set of options for implementation.



## **Housing, Planning & Economic Development (£0.08m under budget)**

There are no material variances to report for the April – July monitoring report; services are forecast to be on budget at year end.

## **Community Services (£0.42m under budget)**

The favourable variance is from strong visitor performance in the first quarter of the year in the Roman Baths, both admission and retail income performed above budget expectations. There are also some service underspends from vacant posts in Heritage and Customer Services.

## **REVENUE BALANCES, CONTINGENCY AND RESERVES**

### **3.6 Use of Reserves to Mitigate the Over Budget Position**

If the current forecast position is not reduced by year-end, the following earmarked reserves will be utilised:-

<b>Mitigation</b>	<b>Amount £'m</b>
Revenue Budget Contingency Reserve	£1.68m
<b>Total</b>	<b>£1.68m</b>

The 2020/21 budget will need to factor in any requirement to replenish the Revenue Budget Contingency reserve to £2m in line with the approved Medium Term Financial Strategy. There is currently no requirement to use non-earmarked reserves as part of these mitigations.

### **Key Reserves**

The following table shows the balances of key reserves at the beginning of the year, planned use, and expected balance at the year-end based on current forecast including the mitigations outlined in the table above:-

	<b>Unallocated Balance as at 1/4/19 £'m</b>	<b>Projected Use in Year £'m</b>	<b>Current Estimated Balance 31/3/20 £'m</b>
Revenue Budget Contingency	3.05	2.04	1.01
Financial Planning and Smoothing Reserve*	5.73	1.50	4.23
Transformation Investment Reserve *	2.15	1.85	0.30
Restructuring & Severance Reserve	2.18	0.00	2.18

Note \* Use of these reserves are in line with budget plans agreed in February 2019

### **Reserves and Flexible Capital Receipts**

Flexible Capital Receipts are being utilised for revenue spend that results in ongoing revenue savings. A three year target of £11.5m was agreed as part of budget setting in February 2019, this has now been updated to reflect the re-profiled requirement as follows:-

	<b>Actual Usage 2017/18 £'m</b>	<b>Actual Usage 2018/19 £'m</b>	<b>Estimated Usage 2019/20 £'m</b>	<b>Estimated Total Usage £'m</b>
Flexible Capital Receipts	3.12	3.45	4.92	11.50

Unapplied capital receipts of £1.25m were carried forward from 2018/19 and £1.10m has been received in 2019/20 so far with a further £4.80m expect by 31<sup>st</sup> March 2019.

### **General Fund Un-earmarked Reserve**

The General Fund Un-earmarked Reserve is retained to meet the Council's key financial risks. The risk assessment has set a range of between £11.9m and £13.1m to meet those risks. The current estimate is that as at 31/03/20 the reserve will remain at £12.3m and remains sufficient to meet those risks.

### **SAVINGS PERFORMANCE**

- 3.7 The 2019/20 revenue budget approved savings of £8.8m, with £2.2m of these savings to be found through service improvement, £3.2m from commissioning and contract management, £2m from additional income and the rest from service efficiencies. The table below shows forecast performance against the savings targets.

Cabinet Portfolio	RED £'000	AMBER £'000	GREEN £'000	TOTAL £'000
	£000	£000	£000	£000
Leader	150	280	0	430
Resources	60	2,839	437	3,336
Community (Leisure, Tourism & Culture)	0	9	1,350	1,359
Adult Care & Health	0	2,590	0	2,590
Children & Young People	0	0	418	418
Environment & Climate Change	16	0	260	276
Planning, Homes & Economic Development	0	95	-12	84
Transport	50	259	0	309
<b>Total</b>	<b>276</b>	<b>6,072</b>	<b>2,454</b>	<b>8,802</b>

The above table shows progress has been made with £2.45m forecast to be fully delivered, £6m is considered to be at risk due to delays and/or plans still being developed and £0.27m which will not be achieved during 2019/20.

Savings items that have been identified as high risk in 2019/20 and will require further action, mitigation or smoothing reserve are as follows:

- **Improving How we work Programme.**

- **Consolidation of Performance / intelligence function £0.25m**

The first stage of the project has been completed the service are now focusing on delivery of the priorities for Children Service and improving resilience across the rest of the Council. The service will consider other opportunities for further consolidation and centralisation once the revised structure has been embedded.

- **Office Accommodation £0.30m**

The Programme will continue to exploit the release of other buildings and income opportunities as the overall Programme progresses with staff working differently and more flexibly. Plans are in place to increase the footprint for the Police. Rental income will not start accruing until 20/21.

- **Service redesign/digital business improvement £0.75m**

The Digital projects are already in progress and as the Programme has only just mobilised some savings will be identified this financial year but only a proportion delivered.

- **Training £0.35m**

There is an insufficient amount to fund mandatory and essential statutory training for 2,100 staff across the council. Based on April-June spend we are forecasting a total spend of around £200k which is due to the insufficient amount transferred across from services upon centralisation.

- **Commissioning £2.59m**

A number of mechanisms have been identified to achieve these areas of savings. However, the activity to achieve growth avoidance is limited in

2019/20. Commissioning plans are more likely to come into fruition for 2020/21 and 2021/22. With that in mind, additional focus is being placed on targeting and reducing existing placements and packages. A Programme approach is in place which has identified a number of Projects that will achieve the longer term savings. However, some risks have been identified with realising cashable savings in 2019/20, due to phased implementation timescales.

- **Commissioning of Destination Management £0.150m**

The Visit Bath saving is unlikely to be achieved in 2019/20. Destination Management review is being commissioned and financial recovery plan being implemented by the Visit Bath Board to reduce annual running costs.

3.8 The Council's financial position, along with its financial management arrangements and controls, are fundamental in continuing to plan and provide services in a managed way, particularly in light of the medium term financial challenge. Close monitoring of the financial situation provides information on new risks and pressures in service areas, and appropriate management actions are then identified and agreed to manage and mitigate those risks.

3.9 Any revenue budget virements which require Cabinet approval are listed in Appendix 3(i). Technical budget adjustments are also shown in Appendix 3(i) for information purposes, as required by the Budget Management Scheme.

## **COUNCIL TAX & COUNCIL TAX SUPPORT**

3.10 The current overall forecast outturn position on the Council Tax Collection Fund is for a surplus of around £0.44m for the Council's share, this represents a 0.5% variance against target income. The reason for the surplus is mainly due to the number of chargeable dwelling being slightly higher than forecast. For 2019/20, the tax base included an adjustment of £9.16m for the estimated costs of the Local Council Tax Support Scheme and current estimates are in line with this amount. The one-off impacts of the Council Tax collection fund projected outturn position will be built into the financial planning assumptions for the 2020/21 budget.

3.11 The collection rate for Council Tax was 38.7%, compared to the previous year's figure of 38.8% at the end of July 2019.

## **BUSINESS RATES**

3.12 The current year-end forecast is for the Council's overall share of Business Rate income relating to 2019/20 to be approximately £0.55m greater than estimated, creating a positive impact on the Collection Fund. The overall Collection Fund surplus position, including the element relating to the 2018/19 outturn, is forecast at £1.59m. As set out in the Budget Report, any surplus or deficit on the Business Rate Collection Fund and associated income will be transferred to or from the Business Rates Reserve for consideration as part of the Business Rates calculations for future years and this position will be reflected in the 2020/21 budget. Based on current forecasts, the projected balance on the Business Rate Reserve as at the end of 2019/20 is £2.76m, rising to £4.84m by the end of 2020/21, which represents c7.3% of annual business rates payable. The main in year factors impacting on Business

Rates are lower than forecast empty property and retail reliefs. This reflects the position based on current reliefs, and any further relief granted during the remainder of the financial year would reduce the projected surplus position.

3.13 The collection rate for Business Rates was 40.9% at the end of July 2019, compared to the previous year's figure of 39.6%.

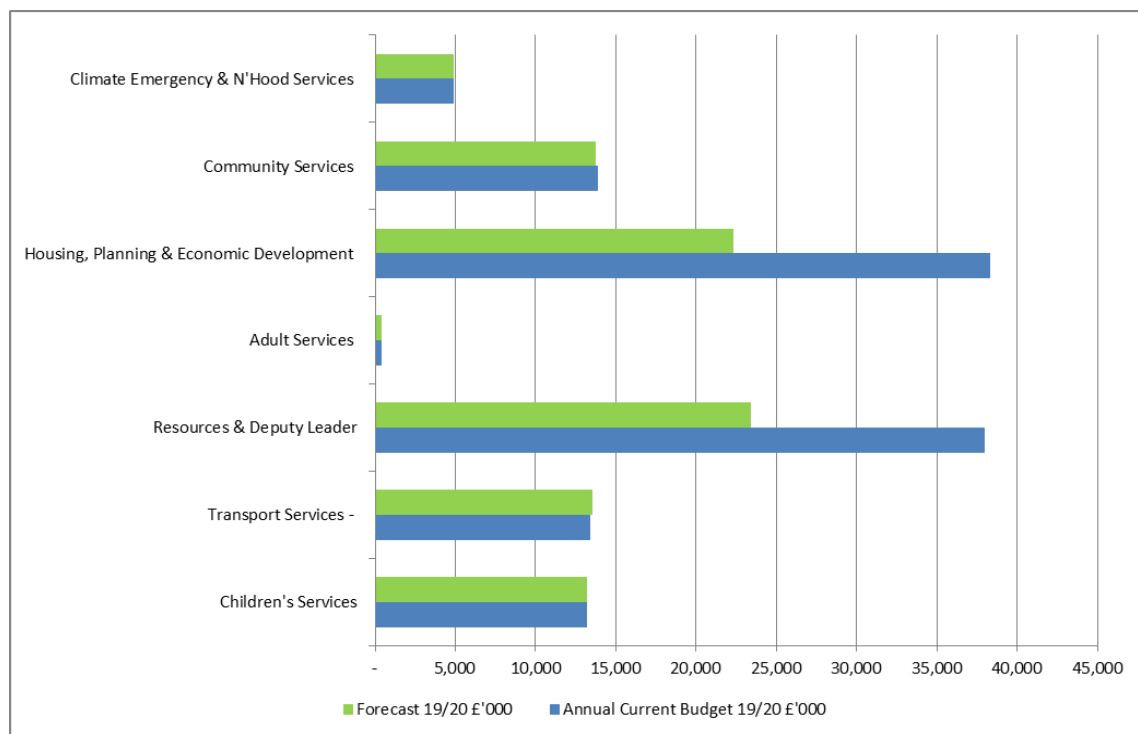
3.14 As previously highlighted, there continues to be a future risk relating to NHS Trusts claims that they are entitled to mandatory charitable relief from Business Rates. This claim will ultimately be subject to a legal ruling with a court hearing planned for November 2019, the Local Government Association is co-ordinating legal support on behalf of Local Authorities. Whilst the Council's view remains that the relief is not applicable in this case, if this position were to change, the granting of such a relief would present a significant challenge to the ongoing financial viability of the Council.

## CAPITAL BUDGET

3.15 The current position for the fully approved schemes against the 2019/20 Capital budget of £122.1m is forecast at £91.6m, which is £30.5m less than the budget. The full breakdown of the Capital Programme by Portfolio can be found in Appendix 4(ii) with key scheme commentary in Appendix 2.

Portfolio Summary Monitor	Annual Current Budget 2019/20	Forecast 2019/20	In-Year Variance 2019/20	Forecast Re-phasing to 2020/21	Other Variance 2019/20
	£'000	£'000	£'000	£'000	£'000
Children's Services	13,205	13,205	-	-	-
Transport Services -	13,389	13,566	(177)	-	(177)
Resources & Deputy Leader	37,982	23,393	14,588	14,697	(109)
Adult Services	433	433	-	-	-
Housing, Planning & Economic Development	38,280	22,289	15,991	15,991	-
Community Services	13,883	13,776	107	-	107
Climate Emergency & Neighbourhood Services	4,899	4,899	-	-	-
<b>Grand Total</b>	<b>122,070</b>	<b>91,561</b>	<b>30,509</b>	<b>30,687</b>	<b>(178)</b>

The graph below illustrates the value and forecast against budget for all in year capital budgets by Cabinet Portfolio:



### Capital Commentary

3.16 Key variances on the programme and updates on key project funding approvals by portfolio include:

- **Community Services** - £0.1m less than budget due to Bath Library works currently being on hold.
- **Resources and Deputy Leader** - £14.6m less than budget. The underspend reflects re-profiling of loan drawdowns predicted by Aequus (the Council's property development company). The current projected total of loan drawdowns in respect of the Riverside View and Sladebrook Road developments for 2019/20 is £5.1m with further loan drawdowns of £2.4m anticipated in respect of property transfers. The remaining balance of the approved loan facility is forecast to be carried forward into 2020/21.
- **Transport Services** - £0.2m more than budget. There is an overspend arising from the York Street Beam Remediation Phase 1 of £179k. This was mainly incurred in 18/19 and has been carried into this financial year for recovery. Funding options are being explored.

A further report is included on this Cabinet meetings agenda seeking approval for £18.0m capital budget for the Clean Air Zone project, of which £5.9m is for full approval and £12.1m for provisional approval, subject to confirmation of grant funding award.

- **Housing, Planning & Economic Development** - £16.0m less than budget. This is predominately due to programme re-phasing to reflect contract awards to Legal & General on Bath Quays North and BAM on Bath Quays South, which have re-profiled cash-flow expenditure. Delivery programmes have been re-based to reflect planning consents now granted for both projects.

A Single Member Decision is being progressed in relation to Bath Western Riverside land and Infrastructure investment, where an increase in the provisional capital programme item from £12.5m to £29.8m is requested to incorporate additional external funding allocations from WECA and Homes England.

## BUDGET RISKS

3.17 The key risks to the budget were outlined in the Councils 2019/20 Budget Report, in compliance with the Council's decision making risk management guidance. These have been reviewed with current risks identified in the table below:

Risk	Likelihood	Impact	Risk Management Update
Further demands on service continue to escalate beyond current estimates	Possible	High	This is certainly a risk within Children's Services requiring ongoing monitoring of spend and controls. Ensure reserves are sufficient to manage in-year pressures.
Pay awards will be higher than estimated	Unlikely	Medium	Agreement in place for 2019/20.
Interest rates reduce further impacting on investment income	Unlikely	Low	Shorter term rates are predicted to remain at current low levels although the impact on interest rates post Brexit remains a risk. A prudent view has been taken within the MTFP and cash is being utilised for purchase of assets while rates are low.
Interest rates increase	Possible	Medium	A reserve is available for borrowing to manage market risk and long term borrowing costs have been factored into the longer-term MTFS
Volatility and uncertainty around business rates	Likely	High	Current monitoring shows that business rates income is expected to be £1.59m higher than budget. However, the retail sector may impact on income and we are closely monitoring any arrears, CVAs, and liquidations with a specific reserve held to manage in-year volatility.
The Business Rates 100% pilot ceases	Unlikely in 2019/20	High	It has been confirmed that Combined Authorities will retain 100% of business rates in

			2019/20. Although possible it is unlikely that this will continue in 2020/21 and an estimated £3.6m pressure has been added to the MTFS
Anticipated savings not delivered	Possible	High	Ensure delivery plans are monitored and continue to assess on a regular basis. Where the monitoring has identified savings are at risk of slipping the project governance will need to escalate and resolve issues through Directors Group. Ensure Budget Contingency Reserve sufficient to meet in-year issues.
Capital projects not delivered resulting in revenue reversion costs or liabilities from underwriting agreements	Likely	High	The Council has a number of projects within this category. These risks will continue to be monitored and reported. An assessment is made as part of the budget process to ensure that revenue reserves are sufficient to meet these risks. The capital programme methodology looks to de-risk projects wherever possible.
Changes to Government Policy that affects future funding	Likely	High	Need to monitor and continue to highlight impact
Economic downturn impacts on commercial income	Possible	High	Portfolio has been diversified to manage some of this risk especially within the retail sector. Where external factors cannot be mitigated the Council's future years budget will need to incorporate income pressures.
Brexit risks	Likely	Medium	With the likelihood of a no deal Brexit on the 31 <sup>st</sup> October there could be financial risks that will impact on the Council. A Council steering group has been set up to ensure the Council has taken all reasonable steps, in line with relevant guidance and messaging coming from Government and its agencies, to prepare for the exit from the EU on 31 October.
Funding pressures through WECA, CCG and other partners	Possible	Medium	Ensure good communication links with partner organisations.
The additional income from Heritage may not be sustained	Possible	Medium	Continue to monitor income levels and impact on business plan. Current performance has exceeded business plan targets; performance will be closely monitored for the rest of the financial year.
Capital receipts in the	Possible	Medium	Currently £1.1m receipts have



areas identified are insufficient to meet target			been received with a further £4.8m expected.
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## 4 STATUTORY CONSIDERATIONS

4.1 The annual medium term financial planning process allocates resources across services with alignment of these resources towards the Council's corporate priorities. This report monitors how the Council is performing against the financial targets set in February 2019 through the Budget setting process.

## 5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

5.1 The financial implications are contained within the body of the report.

## 6 RISK MANAGEMENT

6.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

6.2 The substance of this report is part of the Council's risk management process. The key risks in the Council's budget are assessed annually by each Strategic Director, with these risks re-assessed on a monthly basis as part of the budget monitoring process.

## 7 CLIMATE CHANGE

7.1 With the exception of any virements for approval listed in Appendix 3(i), this is an information only report about the Council's financial performance against budgets set for April 2019 to July 2019, and therefore does not include any decisions that have a direct impact on Climate Change.

## 8 OTHER OPTIONS CONSIDERED

8.1 None

## 9 CONSULTATION

9.1 Consultation has been carried out with the Cabinet Member for Resources, Strategic Directors, Section 151 Finance Officer, Chief Executive and Monitoring Officer.

9.2 Consultation was carried out at meetings and via e-mail.

<b>Contact person</b>	<i>Donna Parham - 01225 477468</i> <a href="mailto:Donna_Parham@bathnes.gov.uk">Donna_Parham@bathnes.gov.uk</a>
<b>Background</b>	<i>None</i>

papers	
<b>Please contact the report author if you need to access this report in an alternative format</b>	

# April 2019 - July 2019 Revenue Monitoring Portfolio by Cashlimit - Appendix 1

								Director Narrative	
Portfolio Number and Description		Cashlimit Number and Description		Current Budget £000	Actuals £000	Published Forecast £000	2019/20 Outturn Variance Over / (Under) £000	Outturn Narrative	Outturn Recovery Plan
Detailed Analysis of Budgets for the Leader									
P04	Leader	1112	Housing Delivery Vehicle	(730)	11	(924)	(194)	Aequus group Council returns are forecast to be £194k ahead of the Council target for 2019/20. ADL is ahead by £40k however this will depend on the actual transfers of residential properties for refurbishment being in-line with the current forecasted position. ACL is ahead by £154k primarily due to the interest for the approved Sladebrook Road Development Loan now being included.	
P04	Leader	1126	Visit Bath	366	367	516	150	This adverse variance is due slippage in delivering the destination management savings target which should be on target for delivery from 2020/21.	The Visit Bath Board is part way through implementing a cost recovery plan that is reducing operating costs whilst maintaining sales income which will improve the company's financial performance.
P04	Leader Total			(364)	377	(408)	(44)		
Detailed Analysis of Budgets for Resources and Deputy Leader									
P19	Resources and Deputy Leader	1032	Information Technology	4,789	2,283	4,710	(79)	Underspend is due to a number of unfilled staff vacancies due to difficulty in recruiting specialist or technical skills and additional contract savings which have been unexpectedly achieved in year	
P19	Resources and Deputy Leader	1037	Property Services	670	879	651	(19)	Underspend due to current staff vacancies. Plan to fill posts in October	
P19	Resources and Deputy Leader	1038	Corporate Estate Including R&M	3,562	2,961	3,851	289	This cash limit includes a corporate office accommodation savings target of £300k originally set for Lewis House rental of floors. An increased floor plate will be offered to the Police but this will not meet this savings target. The holding costs for the former BCA site are also unbudgeted.	Progress plans to rationalise and improve corporate office accommodation as part of the Improving How We Work programme. Guildhall retained as a seat of governance for elected members and ceremonial functions, St Martins will be programmed for closure and we will maximise Keynsham Civic centre as the main business base for the council and a fully flexible working environment for all staff and Lewis House, Hollies for staff delivering a service in that area
P19	Resources and Deputy Leader	1039	Traded Services	33	4	33	()	On Budget	
P19	Resources and Deputy Leader	1040	Finance	2,436	998	2,437		Forecast on budget	

# April 2019 - July 2019 Revenue Monitoring Portfolio by Cashlimit - Appendix 1

								Director Narrative	
Portfolio Number and Description		Cashlimit Number and Description		Current Budget £000	Actuals £000	Published Forecast £000	2019/20 Outturn Variance Over / (Under) £000	Outturn Narrative	Outturn Recovery Plan
P19	Resources and Deputy Leader	1041	Revenues & Benefits	993	368	964	(29)	See Customer services and Libraries cashlimit commentary.	
P19	Resources and Deputy Leader	1042	Risk & Assurance Services	961	456	777	(184)	Underspend mainly from salary budgets.	
P19	Resources and Deputy Leader	1045	Strategy & Performance	2,476	658	3,155	679	£650k Digital Programme savings will not be delivered this financial year as originally planned due to slow pace of engagement and delivery of core capabilities for the organisation.	Now part of the Improving How We Work Programme which has not yet been fully engaged with or mobilised is being mitigated through the planned use of smoothing reserves with savings to be realised from alternative ways such as centralisation of printing & postage budgets, further IT centralisation of budgets, centralisation of business support functions, harvesting of in year discretionary budgets, possible recruitment & training freezes in full towards the end of the financial year.
P19	Resources and Deputy Leader	1047	Human Resources	1,202	478	1,384	182	After training budgets were centralised and the savings of £350k deducted the balancing total was £5k. This is budget is required to fund mandatory and essential statutory training for 2,100 staff across the council. Based on April-July spend we are forecasting a total spend on training and development of around £180k, most of which will be an overspend due to the centralisation. There is a further forecast overspend of £20k on Occupational Health and EAP.	Now re-based as part of the Improving How We Work Programme which has not yet been fully engaged with or mobilised is being mitigated through the planned use of smoothing reserves with savings to be realised from alternative ways such as centralisation of printing & postage budgets, further IT centralisation of budgets, centralisation of business support functions, harvesting of in year discretionary budgets, possible recruitment & training freezes in full towards the end of the financial year.
P19	Resources and Deputy Leader	1053	Council Solicitor & Democratic Services	2,686	1,272	2,936	250	The forecast reflects unachievement of historic savings and adjustments relating to unachievable external income targets (mainly s106 agreements). The increase in childcare cases have required further temporary legal capacity in the Legal Childcare Team.	Plans relating to the previous year's savings are being progressed, and as far as possible, the vacancy savings will be absorbed into the existing Budgets.
P19	Resources and Deputy Leader	1054	Hsg / Council Tax Benefits	(195)	2,097	(195)		Forecast on budget	
P19	Resources and Deputy Leader	1055	Capital Financing / Interest	6,718	2,520	6,718		Forecast on budget	
P19	Resources and Deputy Leader	1056	Unfunded Pensions	1,598	574	1,588	(10)	Small underspend forecast based on current spend to date.	

# April 2019 - July 2019 Revenue Monitoring Portfolio by Cashlimit - Appendix 1

								Director Narrative	
Portfolio Number and Description		Cashlimit Number and Description		Current Budget £000	Actuals £000	Published Forecast £000	2019/20 Outturn Variance Over / (Under) £000	Outturn Narrative	Outturn Recovery Plan
P19	Resources and Deputy Leader	1057	Corporate Budgets including Capital, Audit and Bank Charges	(8,041)	(2,308)	(8,186)	(145)	There is a £100k underspend forecast on Pension Deficit Contributions, mainly due to reduced Council liabilities following transfer of staff to Academy Schools, and a £35k underspend on forecast on Apprenticeship Levy contributions as a result of a reduced Council pay bill. There are also some minor over and underspends forecast in external audit fees and bank & credit card transaction costs.	
P19	Resources and Deputy Leader	1058	Magistrates	12	5	12		Forecast on budget	
P19	Resources and Deputy Leader	1059	Coroners	335	(86)	335		Forecast on budget	
P19	Resources and Deputy Leader	1061	West of England Combined	4,259	2,130	4,104	(155)	One-off underspend in year due to overpayment of Levy in 2018/19. Proposed that this forecast underspend is vired to Concessionary Fares budget for 2019/20 only. This virement is included for approval by Cabinet in Appendix 3 (ref LOG19#01).	
P19	Resources and Deputy Leader	1081	Commercial Estate	(16,223)	(4,817)	(15,207)	1,016	Portfolio variances are mainly attributable to a £1m shortfall on Commercial Estate income; this is due to a slowing down of retail income resulting from a UK wide structural change in the retail economy that has impacted on the delivery of the annual savings target. This has been recognised as an ongoing risk and incorporated into the 2020/21 budget planning assumptions as an unavoidable pressure.	To off-set this, a re-balancing of the commercial estate is taking place into other sectors, capacity will be increased to more rapidly return voids to the market and the performance of commercial estate income will continue to be closely monitored.
P19	Resources and Deputy Leader	1118	Procurement & Commission	218	1,356	209	(9)		
P19	Resources and Deputy Leader	1125	Improving The Way we work	(460)		(260)	200	Programme not yet fully engaged with or mobilised so further resources will be required so position will change	Improving How We Work Programme has not yet been corporately engaged with or mobilised the savings not delivered are being mitigated through the planned use of smoothing reserves with savings to be realised from alternative ways such as centralisation of printing & postage budgets, further IT centralisation of budgets, centralisation of business support functions, harvesting of in year discretionary budgets, possible recruitment & training freezes in full towards the end of the financial year.
P19	Resources and Deputy Leader Total			8,028	11,826	10,015	1,987		

# April 2019 - July 2019 Revenue Monitoring Portfolio by Cashlimit - Appendix 1

								Director Narrative	
Portfolio Number and Description		Cashlimit Number and Description		Current Budget £000	Actuals £000	Published Forecast £000	2019/20 Outturn Variance Over / (Under) £000	Outturn Narrative	Outturn Recovery Plan
Detailed Analysis of Budgets for Adult Care Health and Wellbeing									
P20	Adult Services	1027	CRC & Community Equipment contracts	88	(18)	88			
P20	Adult Services	1036	Adults Substance Misuse (DAT)	514	879	514			
P20	Adult Services	1073	Adults & Older People- Mental Health Commissioning	10,256	4,243	10,256	(0)	Adverse Variances are being seen in the commissioned purchasing budgets reflecting increased placement costs for this area. These are being offset by increased contribution income and underspends in service areas outside the purchasing budgets.	The forecast overspend will be mitigated by the planned use of the Adult Social Care reserve.
P20	Adult Services	1086	Adult Care Commissioning	2,171	352	2,638	467	Variances are being seen in the non purchasing budgets.	Vacancy levels are to be reviewed against budgets to ensure the correct establishment is reflected. Recruitment is underway in the commissioning area and would hope to be appointed to in the second half of the year.
P20	Adult Services	1088	Older People & Physically Disabled Purchasing	12,931	3,958	12,931	(0)	Adverse Variances are being seen in the commissioned purchasing budgets reflecting increased placement costs for this area. These are being offset by increased contribution income.	
P20	Adult Services	1091	Learning Disabilities Commissioning	17,168	4,840	17,168	(0)	The forecast reflects changes to packages in the purchasing budgets which are across new clients, existing clients and transitional costs. These are being offset by increased contribution income and underspends in service areas outside the purchasing budgets.	The forecast overspend will be mitigated by the planned use of the Adult Social Care reserve.
P20	Adult Services	1093	Physical Disability, Hearing & Vision	4,293	1,272	4,293	(0)	Adverse Variances are being seen in the commissioned purchasing budgets reflecting increased placement costs for this area. These are being offset by increased contribution income .	The forecast overspend will be mitigated by the planned use of the Adult Social Care reserve.
P20	Adult Services	1094	Public Health	(175)	(1,203)	(175)			
P20	Adult Services	1110	Better Care Fund	15,012	36,197	15,012	(0)		

## April 2019 - July 2019 Revenue Monitoring Portfolio by Cashlimit - Appendix 1

								Director Narrative	
Portfolio Number and Description		Cashlimit Number and Description		Current Budget £000	Actuals £000	Published Forecast £000	2019/20 Outturn Variance Over / (Under) £000	Outturn Narrative	Outturn Recovery Plan
P20	Adult Services	1113	CCG B&NES CHC and FNC Payments		1,599				
P20	Adult Services	1114	Community Equipment	203	425	203			
P20	Adult Services	1123	Safeguarding Adults	1,722	1,115	1,255	(467)		
P20	Adult Services	1124	Community Resource Centres & Extra Care Income	(1,733)	(293)	(1,733)		The current budget was maintained at the same level as the previous year and despite a forecast to exceed, the current occupancy levels are below expectations.	The forecast income collection will be used to offset the underlying overall budget position alongside the planned use of the Adult social Care reserve.
P20	Adult Services Total			62,449	53,366	62,449	()		
Detailed Analysis of Budgets for Childrens Services									
P21	Childrens Services	1076	Children, Young People & Families	15,574	11,479	16,608	1,034	Spend in JAP pooled budget vs last year (LY) up £524k. Due to 5 additional children, plus annualised costs of further 10 children who's packages started mid-way through 2018/19. These are our children with the highest need, who also require the most complex care packages of those that we support. Residential Placement spend up £400k vs LY due to increase in support packages needed to keep children safe. Permanence costs have increased vs LY by £44k. Unaccompanied Asylum Seeker Children costs exceed budget by £80k, this is due to the shortfall in funding from Central Government for these children.	Enhanced review of the 6 most recent complex cases at JAP completed July 2019. Review of all other placements due to be completed August 2019.
P21	Childrens Services	1077	Learning & Inclusion	5,930	167	3,580	(2,350)	The £2.35m under budget position shown offsets the £2.35m over budget position in the schools budget cash limit. The 19/20 budget allowed for a contingency reserve that may be utilised to fund any overspends at year end once all other options including underspends within other DSG Blocks and the contribution from schools have been utilised. The Council can therefore plan over time to reduce the contribution from its General Fund	

## April 2019 - July 2019 Revenue Monitoring Portfolio by Cashlimit - Appendix 1

								Director Narrative	
Portfolio Number and Description		Cashlimit Number and Description		Current Budget £000	Actuals £000	Published Forecast £000	2019/20 Outturn Variance Over / (Under) £000	Outturn Narrative	Outturn Recovery Plan
P21	Childrens Services	1078	Health, Commissioning & Planning	6,356	2,497	6,356			
P21	Childrens Services	1079	Schools Budgets	(2,166)	(7,666)	184	2,350	SEND over budget position £4.6m, due to increased demand and lack of local provision, requiring independent specialist provision which is expensive. This is partially offset by £2.1m of one-off funding for 2019/20. The £2.35m under budget position in the Learning and Inclusion cash limit offsets this £2.35m pressure, via use of a contingency reserve created in the 19/20 budget which may be used for SEND pressures. There remains a pressure on the Dedicated School Grant of £117k.	Planned local provision expansion through a capital strategy and lobbying of government for additional resources for schools and high needs
P21	Childrens Services	1116	Integrated Commissioning - CYP	2,305	2,990	2,305			
P21	Childrens Services	1117	Safeguarding - CYP	708	206	708			
P21	Childrens Services Total			28,707	9,673	29,741	1,034		
Detailed Analysis of Budgets for Climate Emergency & Neighbourhood Services									
P22	Climate Emergency & Neighbourhood Services	1060	Environment Agency	236	117	236		Forecast on budget	
P22	Climate Emergency & Neighbourhood Services	1101	Neighbourhoods & Environment - Waste & Fleet Services	15,207	3,534	15,207		No material variances showing at this early stage of the year, but prices for recycled materials appear to be falling. Trends not likely to start showing till Aug-Sep.	
P22	Climate Emergency & Neighbourhood Services	1120	Sustainability	285	128	300	15		
P22	Climate Emergency & Neighbourhood Services	1127	Air Pollution	197	66	188	(9)	Minor variances on all types of expenditure including salaries.	
P22	Climate Emergency & Neighbourhood Services Total			15,925	3,845	15,931	6		
Detailed Analysis of Budgets for Housing, Planning & Economic Development									
P23	Housing, Planning & Economic Culture	1029	Housing	1,207	16	1,170	(36)	The majority of this underspend is due to staff members not being part of the B&NES Pension scheme. Budget is still needed in case of staff turnover.	



## April 2019 - July 2019 Revenue Monitoring Portfolio by Cashlimit - Appendix 1

								Director Narrative	
Portfolio Number and Description		Cashlimit Number and Description		Current Budget £000	Actuals £000	Published Forecast £000	2019/20 Outturn Variance Over / (Under) £000	Outturn Narrative	Outturn Recovery Plan
P23	Housing, Planning & Economic Culture	1052	Regeneration	289	342	242	(46)	Residual arts budget not yet aligned to forecast expenditure.	
P23	Housing, Planning & Economic Culture	1106	Development Management	1,295	(119)	1,298	4	£40k VAT historic adjustment needed re incorrect posting on receipt of Planning Income, £15k consultants fees and small shortfall on expected Planning income, predominantly being offset by staff budget savings, leaves small £3.8k adverse variance which is not considered material.	
P23	Housing, Planning & Economic Culture	1108	Economy and Culture	478	195	476	(1)	Small variance - not material	
P23	Housing, Planning & Economic Culture Total			3,268	434	3,187	(81)		
Detailed Analysis of Budgets for Community Services									
P24	Community Services	1005	Building Control & Land Charges	823	49	833	11	The Land Charges income - Housing market is still quiet and unlikely to change any time soon therefore lower than expected income	As far as is possible, these will be absorbed into the existing budgets of the service or offset with other portfolio underspend.
P24	Community Services	1018	Heritage	(8,782)	(4,287)	(9,127)	(345)	Strong visitor performance over Q1, particularly Easter. Admission income and retail both forecast to overachieve target. Due to delays in recruiting staff and the number of staff who have opted out of the pension scheme there is a forecast underspend of £90k (1.7%) on staff costs.	Resistance to price will be closely monitored through the June - August peak price period.
P24	Community Services	1019	Public Protection & Health Improvement - Leisure	689	51	689		On budget	
P24	Community Services	1089	Community Safety	41	36	41			
P24	Community Services	1102	Neighbourhoods & Environment - Parks & Bereavement Services	1,018	519	1,018		On budget	
P24	Community Services	1109	World Heritage	152	61	153	1	Small variance - not material	
P24	Community Services	1115	Registrars Service	(85)	(177)	(90)	(4)		
P24	Community Services	1121	Events & Active Lifestyles	271	56	271		On budget	
P24	Community Services	1122	Customer Services (Including Libraries)	2,000	882	1,926	(75)	£75k salary savings due to recruitment delay	
P24	Community Services Total			(3,874)	(2,811)	(4,286)	(412)		

# April 2019 - July 2019 Revenue Monitoring Portfolio by Cashlimit - Appendix 1

							Director Narrative		
Portfolio Number and Description	Cashlimit Number and Description			Current Budget £000	Actuals £000	Published Forecast £000	2019/20 Outturn Variance Over / (Under) £000	Outturn Narrative	Outturn Recovery Plan
Detailed Analysis of Budgets for Transport Services									
P25	Transport Services	1006	Highways & Traffic Management	7,188	1,604	7,188		Shown on budget at this early stage, review in progress to deliver existing savings targets	
P25	Transport Services	1103	Transport & Parking Services - Parking	(7,771)	(1,956)	(7,493)	278	Behaviour changes following the price increase is having a negative impact on income, it's also raising some uncertainty around future income, but reducing the number of car journeys into the car parks. Bus gate income lower than forecast, PCN income reduced but offset by CEO vacancies.	
P25	Transport Services	1104	Transport & Parking Services - Public & Passenger Transport	(250)	138	(95)	155	£155k adv bus support funded by correspnding underspend on WECA levy (cashlim 1061)	
P25	Transport Services	1119	Emergency Planning	258	136	414	157	CCTV income target not achieved	
P25 Transport Services Total				(575)	(78)	15	590		
			Financial Planning Reserve			(1,400)	(1,400)	Use of reserve for phased implementation of savings.	For information, revenue budget will be adjusted for reserve drawdown at year end.
	Council Total			113,564	76,632	115,244	1,680		

## CAPITAL APPENDIX 2 - KEY SCHEME VARIANCE ANALYSIS

		19/20 BUDGET PER AGRESSO £'000	19/20 CURRENT MONTH FORECAST £'000	IN-YEAR VARIANCE FORECAST TO BUDGET Under/(Over) Spend £'000	TO BE REPHASED TO FUTURE YEARS. £'000	19/20 UNDER / (OVER) SPEND. £'000
<b>Children's Services</b>						
<b>Basic Needs - School Improvement / Expansion</b>	Various schemes are moving forward, including:  Whitchurch Primary expansion to a 315 place school. A new 4 classroom block to complete for 2019. Currently to budget and on target to complete for September 2019 occupation.  St Nicholas Primary expansion to a 420 place school. A new 4 classroom block and internal remodelling to complete for September 2019. Currently to budget and on target to complete for the September 2019 intake.  Longvernal Primary – Phase 2 of a remodelling scheme to accommodate a bulge class in 2017 (Phase 1) and address the issue of undersized classrooms. Complete.  Peasedown St John Primary expansion to a 630 place school. A new 4 classroom block with small hall and internal remodelling to the kitchen in the existing school building. Currently to budget and on target to complete for December 2020 occupation.	9,173	9,173	-	-	-
<b>Schools Capital Maintenance Schemes</b>	Various schools capital maintenance schemes are moving forward, including:  Swainswick Primary – Replace poor condition temporary buildings. Classrooms complete and occupied. External works to complete by September 2019. On target and within budget.  Whitchurch Primary School - Boiler Replacement R&M. To complete by September 2019. On target and within budget.  Newbridge Primary - Window Replacement. To complete by September 2019. On target and within budget.	2,505	2,505	-	-	-
<b>Transport Services -</b>						
<b>GULW (OLEV)</b>	Go Ultra Low West (GULW) - An Inter Authority agreement is being drafted which will set out the maintenance and revenue liabilities for the public charging points. This will be informed by a business case and needs to be approved before the installation of infrastructure. The other packages under the GULW project include fleet electrification, satellite charging hubs and electric cycle hire. These schemes are all being progressed as part of the wider project which runs into the next financial year.	485	485	-	-	-
<b>Highways Maintenance Block</b>	The 2019/20 Highways Structural Maintenance Capital Programme is progressing well as follows: Resurfacing 60% completed with sites at the Circus, Lansdown Road and various sites in and around Oldfield Park and Twerton successfully delivered. Surface Dressing 80% completed with only one site A36 Lower Bristol Road programmed for completion later in August 2019. Micro Asphalt site preparation works completed with full programme delivery scheduled for October 2019. Street Lighting Column replacement programme commencing delivery August 2019. Camden Crescent Arch Repairs progressing listed building consent for construction works to commence September/October 2019.	5,315	5,315	-	-	-
<b>Transport Improvement Programme</b>	The 2019/20 programme is progressing, which includes a new Zebra Crossing on the Wellsway Keynsham, pedestrian improvements in Withies Park Midsomer Norton and Winterfield Road Paulton plus improvements to a signalised parking at Upper Bristol Road, Bath. As part of the safe routes to school programme a new bus stop will be constructed at the top of Brassknocker Hill assisting pupils to use public transport to access Ralph Allen School. Engagement regarding the Mulberry Park Cycle and Pedestrian improvements continue. The works programme is mainly delivered through the Term contract and the transition from Skansa to the new term contractor Volker during March 2019 onwards was well managed by both contractors.	2,986	2,986	-	-	-
<b>York Street Infrastructure Works (This is the Beam Remediation.)</b>	The project comprises the first phase of work required to remediate the beams that support the road structure. The present overspend of £179k was mainly incurred in 18/19 and has been carried into this financial year for recovery.	( 107)	72	( 179)	-	( 179)
<b>City Centre Security - Highways Scheme</b>	This project meets the Council's priorities in supporting public protection in the city centre by securing areas of high footfall, where adults and children congregate. Work will include the provision of fixed and moveable physical measures placed at key access points around the city centre, which will restrict vehicular access (deliveries etc) to a certain period of the day. Investigative work is on-going to identify the most appropriate solutions to overcome various engineering constraints; specific updates on programme will emerge as we progress the project further.	674	674	-	-	-

		19/20 BUDGET PER AGRESSO £'000	19/20 CURRENT MONTH FORECAST £'000	IN-YEAR VARIANCE FORECAST TO BUDGET Under/(Over) Spend £'000	TO BE REPHASED TO FUTURE YEARS. £'000	19/20 UNDER / (OVER) SPEND. £'000
<b>Resources &amp; Deputy Leader</b>						
<b>Cleveland Pools Grant</b>	To support the Cleveland Pools Trust (CPT) £5.7 million project to bring the country's only surviving georgian lido back into use as a community pool. CPT have secured £4.7m funding from National Lottery Heritage Fund and appointed a full-time director (from June 2019) to manage and deliver the project, which is scheduled for completion in spring/summer 2021. The Council paid £50k grant in June with a further £125k grant due during the financial year.	180	180	-	-	-
<b>Corporate Estate Planned Maintenance</b>	The Project Delivery Team are recruiting to increase staffing and have set up frameworks for delivery of work. Many purchase orders already raised with resulting commitments. Works on the Guildhall are at pre-app stage. Expect to spend the 2019/20 budget.	4,587	4,587	-	-	-
<b>Digital Programme</b>	The Digital Programme is now part of the Improving How We Work Programme that is intended to improve the way we operate and bring about efficiencies by changing business processes and systems for priority areas that may give capacity gains from handling high volume contacts, high manual effort and which may also have a positive impact on office rationalisation & travel. This element of the programme will focus on the development of corporate digital tools and core technology/infrastructure that will be developed during specific service interventions or cross organisationally and reutilised internally across the whole organisation or externally for customers to self-serve. Key projects will be delivered in 2019/20 within or below budget including major changes to the Website and complimentary capability for online payments, booking and reporting as well as general online forms for requests and a new radical corporate way of printing and posting.	568	568	-	-	-
<b>Housing Delivery Vehicle/ Schemes (Capital Disposals ADL)</b>	Disposal of 117 Newbridge Hill is expected in 2019. Work continues in support of bringing forward the Englishcombe Lane and Argyle Works development sites for potential disposal to ADL as well as several smaller refurbishment projects to flats returned to the Council by Curo.	1,486	1,486	-	-	-
<b>Property Company Investment - Council (Loan): Developments</b>	The current projected total of loan drawdowns to ACL in respect of the Riverside View and Sladebrook Road developments for 2019/20 is £5.1m with further loan drawdowns of £2.4m to ADL anticipated in respect of property transfers. The remaining balance of the approved loan facility will be carried forward into 2020/21	22,131	7,500	14,631	14,631	-
<b>Housing, Planning &amp; Economic Development</b>						
<b>Radstock Healthy Living Centre</b>	The NHS has approved the Outline Business Case in May 2019 for the project and work continues to Full Business case. A review of costs, funding and the scope of B&NES involvement is currently underway with project stakeholders ahead of finalising the Councils grant offer letter to the Clinical Commissioning Group.	1,905	1,905	( 0)		( 0)
<b>Bath Quays Bridge</b>	The contract for building Bath Quays Bridge is part of the Bath Quays South contract along with a contract with a Belgium company which is making the bridge itself. The works are now running to schedule with an estimated completion date is Q4 2020, with 19/20 slippage forecast. The project has secured full funding via external grant sources and to budget.	3,579	2,142	1,437	1,437	( 0)
<b>Bath Quays North</b>	The OJEU (Official Journal of the European Union) procurement process selected Legal & General as the preferred partner to develop the Bath Quays North site. The procurement process finished in February 2019 and negotiations continued with the Development Agreement being signed in July 2019 causing slippage of 19/20 budgets from delayed timing of milestones including Planning Permission and contract award. The Council's total cost for the project remains unchanged.	13,820	2,125	11,695	11,695	-
<b>Bath Quays South</b>	Cash flow re-phasing to match contract award programme and final building envelope planning conditions re-profiles expenditure in line with planned completion in summer 2021.	10,738	9,277	1,461	1,461	( 0)
<b>Affordable Housing (AH)</b>	The Registered Provider sector continues to explore new AH-led development opportunities that will require capital subsidy from the Council, which include rural and specialist development as well as bringing forward additionality on Council-owned sites being delivered by ADL and Council-led development. Slippage on the "Housing Options for the Disabled" (HOLD) programme and Hanover Extra Care unavoidable but all funding requirements remain as budgeted.	1,050	1,050	0		0
<b>Community Services</b>						
<b>Modern Libraries &amp; Workplaces</b>	The proposals for the remodelling of Bath Central Library at the Podium are on hold by the Council leading to underspend in 2019/20 but with a risk of revenue reversion of £340K costs incurred in previous years. The opening of further new community run libraries are being supported and remaining branch libraries are being transferred to the community during 2019/20 and this should be complete by December 2019. A replacement mobile library vehicle with internet access entered service on 1 July.	349	248	101	-	101
<b>Parks S106 Programme</b>	The S106 schemes are not time limited and several will complete in 2019/2020, to include Brickfields Park ,Kensington Meadows and Innos Park. The forecast for the remainder will be ascertained September/ October 2019.	453	453	0	-	0
<b>Roman Baths Archway Centre</b>	Conservation works to the arch were delayed from March 2019 to April 2019. The main contract has now commenced and 59 week programme of work underway. The new facilities will open in 2020.	5,096	5,096	( 0)		( 0)

		19/20 BUDGET PER AGRESSO £'000	19/20 CURRENT MONTH FORECAST £'000	IN-YEAR VARIANCE FORECAST TO BUDGET Under/(Over) Spend £'000	TO BE REPHASED TO FUTURE YEARS. £'000	19/20 UNDER / (OVER) SPEND. £'000
<b>Climate Emergency &amp; Neighbourhood Services</b>						
<b>Waste Project</b>	Final completion on land purchases at Pixash took place in July. A capital budget is in place to progress technical masterplanning, survey works to advance the project and planning applications in 2020. Member briefings will take place in due course.	2,864	2,864	-	-	-

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<b>Bath &amp; North East Somerset Council</b>	
MEETING:	<b>Corporate Policy Development &amp; Scrutiny Panel</b>
MEETING:	<b>24<sup>th</sup> Sept 2019</b>
TITLE:	<b>Medium Term Financial Strategy &amp; Corporate Plan Update</b>
WARD:	All
<b>AN OPEN PUBLIC ITEM</b>	
<b>List of attachments to this report:</b> Appendix 1: Medium Term Financial Strategy & Corporate Plan Cabinet Report Appendix 2: Corporate Strategy & Medium Term Financial Strategy	

## **1 THE ISSUE**

- 1.1 The report was considered by the Cabinet at their 12<sup>th</sup> September 2019 meeting. It presents the future years Medium Term Financial Strategy and emerging Corporate Plan.

## **2 RECOMMENDATION**

The Panel is asked to;

- 2.1 Note and discuss the Medium Term Financial Strategy & Corporate Plan Update.

## **3 THE REPORT**

- 3.1 The Medium Term Financial Strategy & Corporate Plan Update Cabinet report and supporting detailed appendices are included as the appendices to the paper and for Panel consideration.

## **4 STATUTORY CONSIDERATIONS**

- 4.1 The annual Medium Term Financial Strategy and planning process allocates resources across services with alignment of these resources towards the Council's corporate priorities.

## **5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)**

- 5.1 These are contained throughout the attached report and appendices.

## **6 RISK MANAGEMENT**

- 6.1 A risk assessment related to the issue and recommendations will be undertaken, in compliance with the Council's decision making risk management guidance.

## **7 CLIMATE CHANGE**

- 7.1 This is an information only report about the Council's Medium Term Financial Strategy, it therefore does not include any decisions that have a direct impact on Climate Change.

## **8 OTHER OPTIONS CONSIDERED**

- 8.1 None

## **9 CONSULTATION**

- 9.1 The Cabinet Member for Resources has been consulted on the drafting of this report as well as the S151 Officer and Monitoring Officer.

<b>Contact person</b>	Andy Rothery, Head of Management Accounts (01225 477103)
<b>Background papers</b>	2019/20 Revenue and Capital Budget Setting reports, 2018/19 Revenue and Capital Outturn Report, Budget Management Scheme
<b>Please contact the report author if you need to access this report in an alternative format</b>	



Bath & North East Somerset Council		
MEETING	Cabinet	
MEETING DATE:	12 September 2019	EXECUTIVE FORWARD PLAN REFERENCE:
		E 3154
TITLE:	Medium Term Financial Strategy & Corporate Plan Update	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix A – Corporate Strategy & Medium Term Financial Strategy		

## **1 THE ISSUE**

- 1.1 The Corporate Strategy and Medium Term Financial Strategy (MTFS) sets out the strategic direction and priorities for the Council as well outlining the financial context and challenges the Council faces over the next five years and the strategy that will be used to inform its annual budget process.

## **2 RECOMMENDATION**

The Cabinet is asked to;

- 2.1 Approve the attached Corporate Strategy and Medium Term Financial Strategy.**

## **3 THE REPORT**

- 3.1 The Corporate Strategy and Medium Term Financial Strategy (MTFS) provide a linked framework for strategic planning, articulating the organisation's key aims and ambitions and guiding our activities with medium term budget setting and planning. Together they explain the strategic direction and priorities for the Council, the financial context for the Corporate Strategy and the targets, as well as the financing mechanisms available to the Council to achieve this.
- 3.2 The MTFS does not detail how individual savings will be made, nor how categories of additional income will be achieved. Nevertheless it describes the scope of the work required, and taking place, to meet these targets together with some of the anticipated impacts.

- 3.3 The focus is on the next two years for financial planning purposes. However, there is significant uncertainty for next year and beyond because the national approach to funding local government is currently under review. The MTFs assumes that despite significant cuts in previous years funding constraints will continue and will therefore be guided by the priority areas of service delivery which the Corporate Strategy will set out.

## **4 STATUTORY CONSIDERATIONS**

- 4.1 The Corporate Plan & Medium Term Financial Strategy as outlined is part of the preparation for the budget and Council Tax setting for 2020/21 that will be considered by this council in February 2020. Equality analysis will be carried out on specific budget proposals as part of that process.

## **5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)**

- 5.1 The resource implications are outlined within the Corporate Plan & Medium Term Financial Strategy attached to this report.

## **6 RISK MANAGEMENT**

- 6.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.
- 6.2 The Corporate Plan & Medium Term Financial Strategy includes a section on specific risks.

## **7 CLIMATE CHANGE**

- 7.1 The Corporate Strategy highlights that "Addressing the Climate Emergency" is one of the key themes reflected in the new administration's priorities. This includes plans to work with local communities to deliver the Council resolution agreed in March 2019 to declare a climate emergency, and for the area to become carbon neutral by 2030.

## **8 OTHER OPTIONS CONSIDERED**

- 8.1 The supporting paper outlines options for balancing future budgets.

## **9 CONSULTATION**

- 9.1 A consultation plan is being prepared to ensure stakeholder engagement for the key aspects of the strategy and this will take place in the autumn period, including a series of community engagement sessions hosted by the Area Forums.

<b>Contact person</b>	Donna Parham, Director of Finance – 01225 477468; <a href="mailto:Donna_Parham@bathnes.gov.uk">Donna_Parham@bathnes.gov.uk</a>
<b>Background papers</b>	Budget and Council Tax 2019/20 and Financial Outlook – Council Agenda February 2019  Financial Settlement information (Government website)

**Please contact the report author if you need to access this report in an alternative format**

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# **Bath & North East Somerset – Corporate Strategy and Medium Term Financial Strategy 2020/21 -2024/25**

## **1. Purpose of the Strategy**

The Corporate Strategy and Medium Term Financial Strategy (MTFS) provide a linked framework for strategic planning, articulating the organisation's key aims and ambitions and guiding our activities with medium term budget setting and planning. Together they explain the strategic direction and priorities for the Council, the financial context for the Corporate Strategy and the targets, as well as the financing mechanisms available to the Council to achieve this.

The MTFS does not detail how individual savings will be made, nor how categories of additional income will be achieved. Nevertheless it describes the scope of the work required, and taking place, to meet these targets together with some of the anticipated impacts.

The focus is on the next two years for financial planning purposes. However, there is significant uncertainty for next year and beyond because the national approach to funding local government is currently under review. The MTFS assumes that despite significant cuts in previous years funding constraints will continue and will therefore be guided by the priority areas of service delivery which the Corporate Strategy will set out.

The Corporate Strategy and MTFS also provide the background for consultation due to take place in autumn 2019.

## **2. Expected Outcomes from the Strategy**

The objective of this document is to set the new administration's priorities to be delivered over the next four years for the Corporate Strategy within the context that enables the Council's budget setting and financial planning process to deliver a balanced budget over the next five years, but with specific focus on the next two years.

A balanced budget means that balances or reserves are not used to meet on-going expenditure commitments. B&NES will look to ensure sound plans are in place to balance the budget over the medium to longer term rather than year to year balancing.

The unprecedented scale of the financial challenge, the additional demands on the Council especially for Children's Services and Adult Social Care, and the scope to use new ways of working notably digital communications, all indicate the need for different ways of working and greater prioritisation of activity and spend. For some services, a different relationship with customers and communities may also be needed.

### 3. Executive Summary and Recommendations from the Strategies for Consideration

The overall aim of the Corporate Strategy and Medium Term Financial Strategy is to:

- Set out and deliver the Council's priorities within affordable and sustainable financial constraints;
- Ensure that the new administration's (Council's) strategic priorities are reflected in its capital programme and also that the capital programme is affordable;
- Ensure that cash flows are adequately planned so that cash is available when required and the Council can meet its capital spending obligations; and
- Set a sound financial planning framework to underpin the effective financial management of the Council.

There is a continued lack of clarity around future funding for Local Government. It was announced by the Chancellor in August that the three year Spending Review will be replaced by a one year review for 2020/21. The lack of any release of consultation papers before the summer recess indicates that it is becoming increasingly likely that changes to funding streams including Fairer Funding, Business Rate Retention, New Homes Bonus, and Better Care Funding will be delayed by another year. The estimates within the Strategy have not yet reflected this as the two year funding gap of £18.4m plus growth target of £2.8m are unlikely to change overall. However, it will be necessary to provide Members with an update once the changes are known.

Despite this uncertainty the Council still needs to plan its' finances for the medium to longer term and therefore the Strategy is based on best estimates at this stage. The Council has a good track record in savings delivery with £69m delivered between 2013/14 to 2018/19 and, a further £9m expected in this financial year – a total of £78m over seven years. These estimates show that the Council will need to find a further £36.8m (including the £3.4m already identified) in savings over the next five years. In essence the Council will need to reduce net spend by approximately 32% (11% of gross spend) over the next five years.

In the shorter term the profile of the savings shows a requirement of £21.85m over the next two years (£15.36m in 2020/21 of which there are planned savings of £3.44m, followed by £6.49m. A further target has been added of £2.76m to fund new priorities over the two year period. Therefore assuming the planned £3.44 can be delivered the target for **new** savings over the next two years is £21.17m

The current budget gap includes increases of 2.99% per annum in Council Tax for each year of the plan. No further increases in Adult Social Care Precepts have

been factored into the plan as there has been no further flexibility announced by central Government.

Financial Planning and Smoothing Reserves will only be utilised to smooth savings over the next two years while maintaining sufficient levels to meet key risks. Flexible capital receipts will continue to be utilised and will need to be accelerated to deliver ongoing savings at a faster pace.

Capital spending will focus on reviewing current provisional schemes and funding priorities while minimising the impact on the revenue budget.

As part of delivering this strategy plans are being put in place to engage with all elected members, partners and the public as part of the budget process for 2019/20 and the following years.

#### **4. Corporate Strategy**

The current Corporate Strategy, adopted in 2016, sets out the strategic direction for the Council to March 31<sup>st</sup> 2020. Given that this is coming to the end of its adopted timeline and the election of a new Council in May of this year, it is now appropriate for the Council to consider the development of a new Corporate Strategy.

This will set out the new Council and Cabinet's vision and focus for the next four/five years, guiding decision-making, business planning and resource allocation over that period. It will establish the context for the council's financial and budget strategy in the light of the new administration's priorities and be built around a four phase planning cycle, as below:

- Phase One – Plan, prioritise and decide
- Phase Two – Gear up and start delivery
- Phase Three – Continue to deliver and realise benefits
- Phase Four – Review and future planning

Whilst a programme of engagement on the draft Strategy and associated budget will be carried out in the autumn, some key themes are already beginning to emerge which reflect the new administration's priorities and which build on the strategic direction of the Council:

##### **Addressing the Climate Emergency**

This will include our plans to work with local communities to deliver the Council resolution agreed in March 2019 to declare a climate emergency, and for our area to become carbon neutral by 2030.

Work is already underway on this key priority including arrangements to assess the impact of council decisions on climate change, with a report due to be

presented to Council in October 2019.

### **Delivering for Local Residents**

This will include delivering services in new ways and making the best use of digital approaches.

It will also include ambitions around securing more affordable and social housing and improving the quality of rented housing, as well as making our housing stock greener and tackling fuel poverty.

We will also be focused on reducing congestion and delivering significant improvements to public transport, walking and cycling facilities. Alongside the introduction of the Clean Air Zone, there are wider ambitions for a more pedestrian-friendly city centre and for reducing the impact of cars in residential streets through better traffic management and reductions in 'rat-running'.

### **Focusing on Prevention**

This ambition will be developed in the context of the financial challenges facing the council, particularly the well-publicised and nation-wide issues facing local government relating to the costs of social care.

Social care services for both adults and children are key statutory functions of local authorities and whilst we must provide care for those who need it, we also want to find more ways to enable people to enjoy wellbeing and to live independently, which is a positive outcome for them as well as reducing demand and financial pressure for the Council.

### **Giving People a Bigger Say**

We can only deliver our strategy if the Council is transparent, open and listening. This will include promoting schemes such as Citizens Juries to involve local people in the decision-making process.

The Corporate Strategy is now being developed to set out further detail on the commitments related to each of these themes. This will inform the ongoing work programme of the Council over the life of the Strategy. A service planning process will be carried out in order to translate the Corporate Strategy commitments into identifiable actions for the coming year.

### **The Council's Core Values**

Council and the CCG's staff, B&NES Councillors and the BaNES CCG Board have adopted the following core values as part of our vision and how we deliver our priorities:-





These values will set the framework for the development of our organisational culture. To underpin this, we are also developing a People Strategy to help with culture development, workforce planning and skills and training for staff.

## The Medium Term Financial Strategy

The MTFS complements the Corporate Strategy by defining the financial framework within which these priorities will be delivered. It outlines the factors which are expected to drive future costs and sets out the funding projections and our strategy for addressing the funding gap. It supports the medium term policy and financial planning process at the heart of setting revenue and capital budgets.

The core principles underlying the MTFS are as follows:

- That the Council will seek to maintain a sustainable financial position over the course of the planning period and balance the budget on a two year rolling programme;
- That the Council will make provision for pressures, demographic changes, and inflation where appropriate with new priorities added only if “headroom” is achieved;
- The deployment of the Council’s limited resources will be focused towards essential services and those that contribute to the delivery of the Corporate Strategy
- Council tax increases have been included within the term of the MTFS to support essential services.
- New sustainable income opportunities are to be maximised wherever possible while maintaining current income streams through current economic uncertainty.

## 5. The Current Financial Position

### 2018/19 Outturn

The 2018/19 outturn reported an overspend position of £0.92m to Cabinet in July 2019 as follows:-

Portfolio	Revised Budget £'m	Outturn £'m	Variance £'m
Leader	2.28	2.29	0.01
Finance & Efficiency	(0.37)	(0.31)	0.06
Transformation & Customer Services	5.83	6.09	0.26
Adult Care, Health & Wellbeing	61.72	60.74	(0.98)
Children & Young People	29.20	30.96	1.76
Development & Neighbourhoods	19.17	19.22	0.05
Economic & Community Regeneration	(4.92)	(5.97)	(1.05)
Transport & Environment	(1.37)	(0.56)	0.81
<b>Total</b>	<b>111.53</b>	<b>112.46</b>	<b>0.92</b>

#### Budget 2019/20

The 2019/20 net budget of £113.10m was approved by Council in February 2019. Budget monitoring to the end of July, reflecting the new Cabinet Portfolio's, showed a projected overspend of £1.68m against the revised budget of £113.57m as shown below:-

Portfolio	Revised Budget £'m	Forecast Year End Actual £'m	Variance Over / (Under) £'m
Leader	(0.36)	(0.41)	(0.05)
Resources	8.03	10.02	1.99
Adult Services	62.45	62.45	-
Children's Services	28.71	29.74	1.03
Climate Emergency & Neighbourhood Services	15.92	15.93	0.01
Transport Services	(0.58)	0.01	0.59
Housing, Planning & Economic Dev.	3.27	3.19	(0.08)
Community Services	(3.87)	(4.29)	(0.41)
Smoothing reserve to be allocated		(1.40)	(1.40)
<b>Total</b>	<b>113.57</b>	<b>115.24</b>	<b>1.68</b>

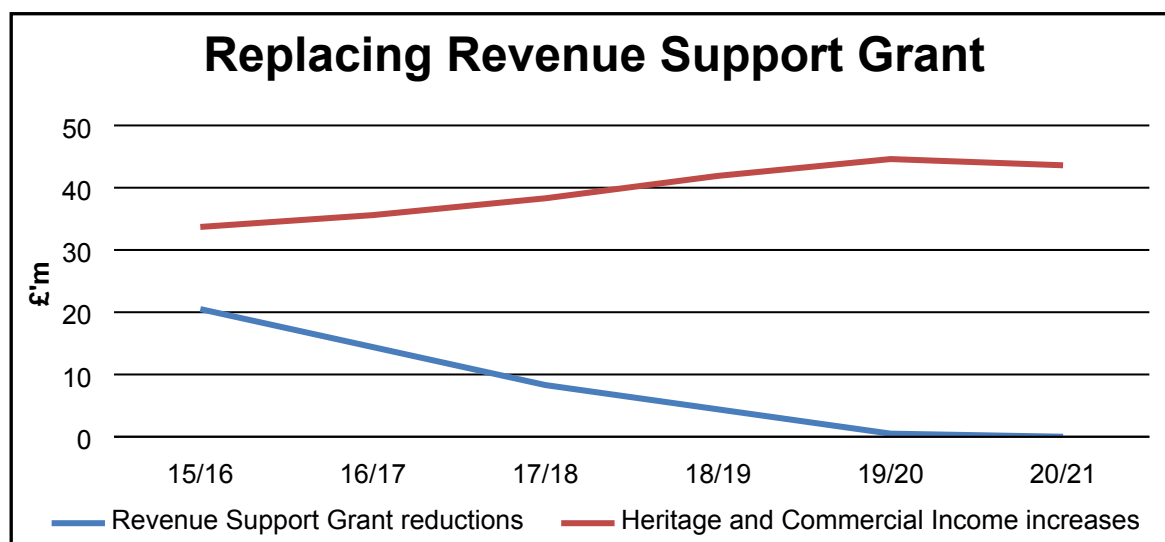
The figures show an upturn in demand and financial pressures especially in Children's services and Commercial Estate. It also highlighted that a continued focus is required to delivering the savings that were agreed as part of budget setting to

bring spend back in line with the budget. The Cabinet member for Resources has set an objective for 2019/20 to achieve a balanced budget with no drawdown from reserves. To achieve this Directors will develop in year recovery plans, including:-

- Holding / deleting vacant posts.
- Centralising and reducing discretionary spend.
- Consider Voluntary Redundancy requests to enable agreed staffing savings.

### Analysis of Current Position

Local Government has suffered from continued reductions in funding – the £20.5m received in Revenue Support Grant has now been completely removed. The table below shows how the Council has grown its' main income streams from heritage and commercial estates but there is limited ability to keep growing these income streams because of limits on visitor capacity and the current difficulties within the retail sector. Therefore, maintaining the levels currently budgeted for is becoming an increasing priority-



### **Drivers of Demand**

#### The economy

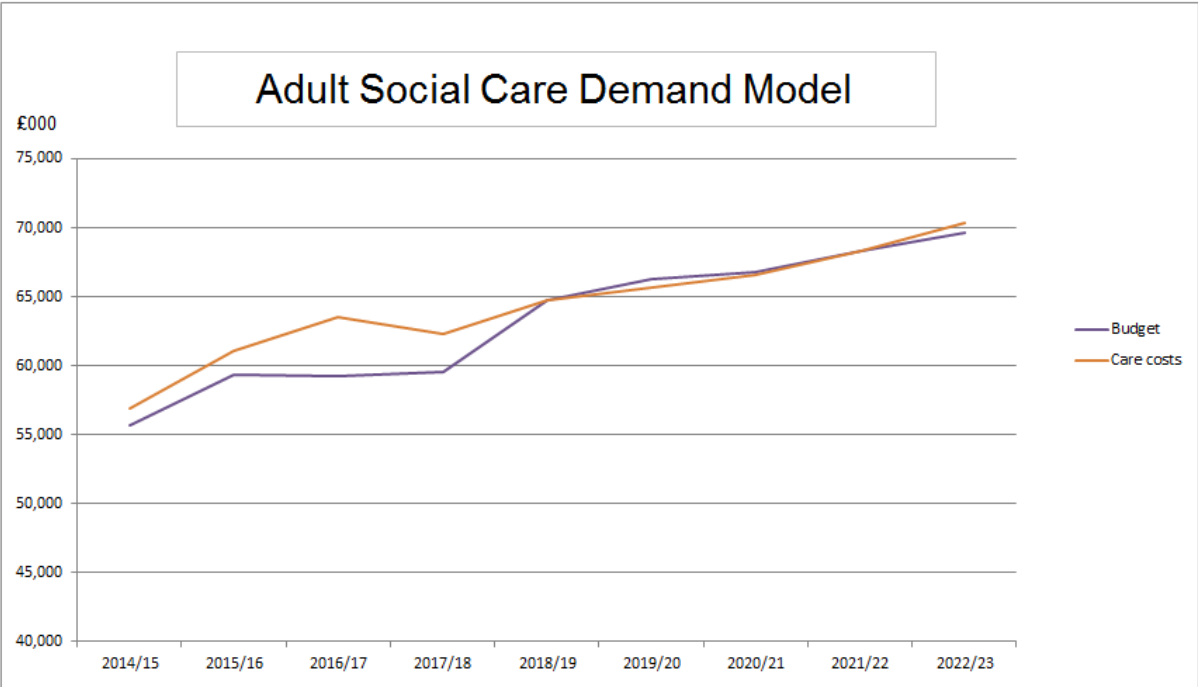
The Office for National Statistics (ONS) estimates that the UK economy grew by 1.4% in real terms in 2018. The economic effects of the UK's imminent departure from the European Union possibly without a "deal" remain highly uncertain with a 0.2% reduction in growth for quarter 2 of 2019 (the first reduction since 2012). It is generally accepted that a recession is occurring if negative growth is recorded over two consecutive quarters. A recession would affect demand for public services and also the resources available to the Council to deliver those services, particularly business rates retention, commercial estate, car parking, and heritage income, with increasing requirements for Council Tax Support if unemployment increases. It is increasingly important for the Council to work with partners, such as the West of England Combined Authority (WECA), and the Local Enterprise Partnership (LEP), to

make the most of the area’s opportunities for local and sub-regional economic stability.

Demand Led Services

The Council has sought to set realistic and deliverable budgets through the MTFS and budgeting process. Significant resource has been added to Adult and Children’s services over the last few years whilst both services have delivered other savings and efficiency gains.

The challenges facing adult social care services (ASC) nationally as well as locally include factors such as increasing demand, capacity and market stability issues in the independent sector and the impact of year-on-year savings requirements. Nationally, the government has acknowledged that the growing demand for adult social care services is placing increasing pressure on council budgets. The long awaited green paper on adult social care has yet to be published although the government has provided additional temporary funding of £0.73m in 2019/20 for Winter Pressures and £1.028m through the Improved Better Care Fund (iBCF). In addition, councils with social care responsibilities were able to levy a precept on adult social care up to 2019/20. The total additional income generated from the precept is £6.6m per annum. The MTFS allocates £17.3m for demographic and contract inflation pressures within ASC over the next five years. The following graph shows the impact of demographic and inflationary growth in ASC on the budget and outturn position since 2014/15:-



The Council has embarked on an ambitious savings programme of service transformation in adult services, much of this integrated with local health service

provision. The programme, being delivered in partnership with Virgin Care, will focus on:

- Managing the Councils budget to meet demand needs without overspending through robust needs assessment and care planning.
- Strengthen brokerage and contract monitoring to ensure payments to providers are made in a consistent and fair manner.
- Learn from our neighbours in improving services delivery whilst delivering savings.

The number of children looked after (LAC) by the Council has risen by 40% in the past 5 years to 190 in 2018/19 (although this higher level is in line with similar authorities). The numbers continue to increase with 192 LACs recorded at the end of June as well as a nearby private residential unit for children with high needs closing putting significant pressure on services and budgets. The Government is aware of the pressures of Children's services on local authorities (91% of Local Authorities overspent on Children's Services in 2017/18). Additional temporary government funding of £1.25m was allocated to Children's Services in 2019/20. The MTFS allocated £5.8m for demographic and contractual inflationary pressures within Children's Services over the next five years.

Whilst we recognise the need to provide appropriate care and placements to meet the needs of children and young people we will continue to review the models of care, opportunities to bring in external investment and good practice, and to scrutinise individual needs and placement costs in order to mitigate these financial pressures as far as possible.

Significant increases in children and young people with SEND are also adding to the pressure on Council resources. Between January 2013 and January 2017, there was a 90% increase in locally supported children and young people with a Statement or EHCP who have a primary need diagnosis of autistic spectrum disorder, the largest volume increase of all the primary need types (increased from 146 to 277). The second biggest rise has been seen with those who have a primary need classified as Social, Emotional and Mental Health, up from 117 to 200 during the same period.

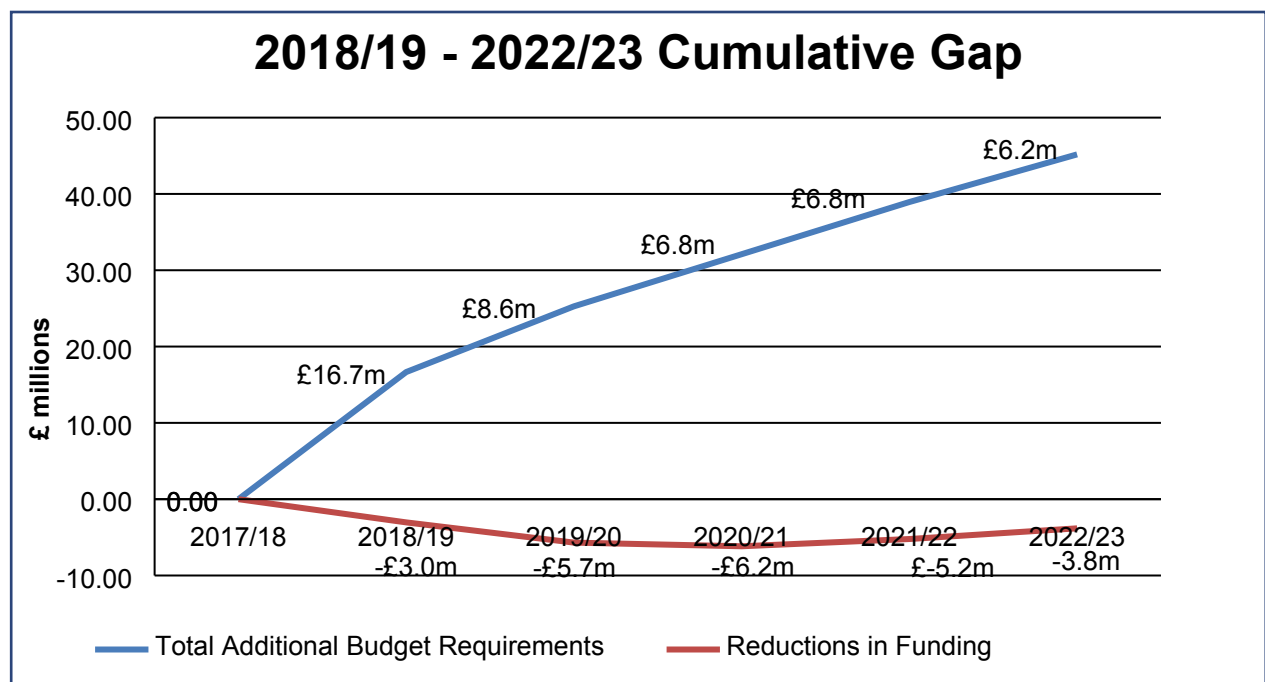
The costs of SEND should be absorbed within the High Needs Block of Dedicated Schools Grant (DSG) received from the Department of Education. However, this has been insufficient to meet demands. The Council therefore has had to provide up to £2.3m annually as a corporate contingency that is held in reserve to fund this deficit while plans are underway to reduce costs through negotiations with the Schools Forum, lobbying Government, and allocating capital funds to create more specialist places in local mainstream schools. The creation of additional local capacity will enable families to access appropriate specialist support more locally, which fits with parental preferences and at the same time will reduce the financial impact on the Council through the use of more remote and independent provision, together with the associated transport costs. Whilst this provision should start to come on stream from next year, it is likely to take 4-5 years before it substantially reduces the levels of expenditure.

## 6. Financial Outlook

Currently the MTFS shows a projected budget gap for each year of the plan as follows:-

Indicative Budget Forecast	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m	£m	£m
Estimated Base Budget	113.10	126.65	124.44	128.06	131.96	135.03
Estimated Funding	(113.10)	(113.63)	(117.95)	(122.44)	(127.02)	(128.29)
<b>Annual Funding Gap</b>	-	<b>13.02</b>	<b>6.48</b>	<b>5.62</b>	<b>4.94</b>	<b>6.74</b>
Savings Already Agreed	-	3.44	-	-	-	-
Adjustments for one-off grants	-	-2.34	-	-	-	-
<b>Remaining Funding Gap</b>	-	<b>11.92</b>	<b>6.49</b>	<b>5.62</b>	<b>4.94</b>	<b>6.74</b>
Additional Requirement to fund new priorities	-	1.79	0.97			
<b>Savings Target</b>	-	<b>13.71</b>	<b>7.46</b>	<b>5.62</b>	<b>4.94</b>	<b>6.74</b>
<b>Cumulative Target</b>	-	<b>13.71</b>	<b>21.17</b>	<b>26.79</b>	<b>33.73</b>	<b>38.47</b>

The funding gap over the medium term can be analysed further to identify additional pressures on expenditure and the impact of funding reductions in income as follows:-



## Indicative Budget Forecast

The detail of the budget gap is shown in the table below and outlines additional cost pressures and reduced funding:-

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
<b>Budget Requirement (Previous Year)</b>	<b>113.10</b>	<b>113.63</b>	<b>117.96</b>	<b>122.44</b>	<b>127.02</b>
Once-Off items from previous year	-1.44	0.00	0.00	0.00	0.00
Pay inflation	2.16	1.59	1.53	1.49	1.26
Pension Contributions	0.61	0.61	0.61	0.61	0.61
Demographic Growth & Increase in Service Volumes	3.31	3.31	3.31	3.31	2.96
Contractual Inflation	1.82	1.91	1.96	1.91	1.88
Budget Pressures / Rebasing	2.53	0.08	0.00	0.00	0.00
New Priorities - not yet added pending headroom	0.00	0.00	0.00	0.00	0.00
Provision for amber rated savings	1.00	0.80	0.80	0.80	0.80
Increase(-)/ Reduction in New Homes Bonus Grant	1.93	0.91	1.39	0.90	0.00
Capital Financing	1.61	1.61	0.50	0.50	0.50
<b>Draft Budget Before Savings</b>	<b>126.65</b>	<b>124.44</b>	<b>128.06</b>	<b>131.96</b>	<b>135.03</b>
<b>Savings Proposals</b>					
Remove one-off grants in 2019/20	-2.34				
New and Revised Savings Plan	3.44				
Estimated Savings Required	11.92	6.49	5.62	4.94	6.74
<b>Budget Requirement</b>	<b>113.63</b>	<b>117.95</b>	<b>122.44</b>	<b>127.02</b>	<b>128.29</b>
<b>Funding of Budget Requirement</b>					
Council Tax	89.01	92.75	96.64	100.60	101.61
Adult Social Care Precept 0%	6.69	6.76	6.82	6.89	6.96
Business Rate Retention incl Revenue Support Grant at 75% retention	17.93	18.45	18.98	19.53	19.72
<b>Funding of Budget Requirement</b>	<b>113.63</b>	<b>117.96</b>	<b>122.44</b>	<b>127.02</b>	<b>128.29</b>

The forecast includes the following cost pressures and assumptions:-

- **Pay Inflation** – Estimated 2.75% increase in 2020/21, and a further 2% per annum from 2021/22; The Trade Unions are currently requesting a 10% increase for 2020/21, ongoing negotiations will be monitored to see if any update is required.
- **Pension Costs** – Allowance of 1% per annum from 2020/21 arising from the triennial Pension Fund revaluation impact on Employer's pension contribution rates, which will be finalised in the late Autumn;
- **Demographic Growth & Increase in Service Volumes** – Additional demand from new placement and market pressures in Adult & Children Social Care;
- **Interest Rates** - Continued very low rates of interest of around 1% per annum for treasury management cash investments. The Council will maintain a minimum cash policy;
- **Inflation** – CPI projections for the coming years are expected to be 2.0%. No general inflationary provision included – specific contractual inflation has been provided and identified on a limited basis as growth within service areas based on specific service circumstances and contractual commitments;
- **Budget Pressures / Rebasing** – Provision for rebasing 2019/20 ongoing revenue spend and savings pressures;
- **Capital Spending** – an allowance has been made to fund a minimal number of new schemes given current financial constraints;
- **Borrowing** – longer term borrowing costs have been factored into the MTFS however the authority will continue to optimise the use of cash balances subject to market conditions and the overriding need to meet cash outflows;
- **New Priorities** – will be developed with the new administration as part of the Corporate Strategy and have not yet been factored into the plan. These will only be considered once the gap has been funded. The new priorities will require targeted headroom of £2.76m over the first two years of the plan.

## 7. Outlook for Government Grant Funding

During 2016, the Council provided an Efficiency Plan submission to the Government as part of a national scheme, to secure the basis of a 4-year financial Settlement through to 2019/20. This was agreed by the Government and provides some protection to the Council against any additional funding reductions in revenue support grant over this period.

In 2018 the Government issued a consultation regarding future funding for Local Authorities (LA's) – A Review of Local Authorities Relative Needs and Resources. The review has the aim of revising and updating the distribution of funding between LA's. This review does not measure the level of funding required for Local Government as a whole its objective is purely to assess the relative needs and pressures of authorities to ensure that the distribution of funding between authorities is fair.

B&NES continues to lobby for the following areas to be included in any revised funding methodology:-

- funding for student households;

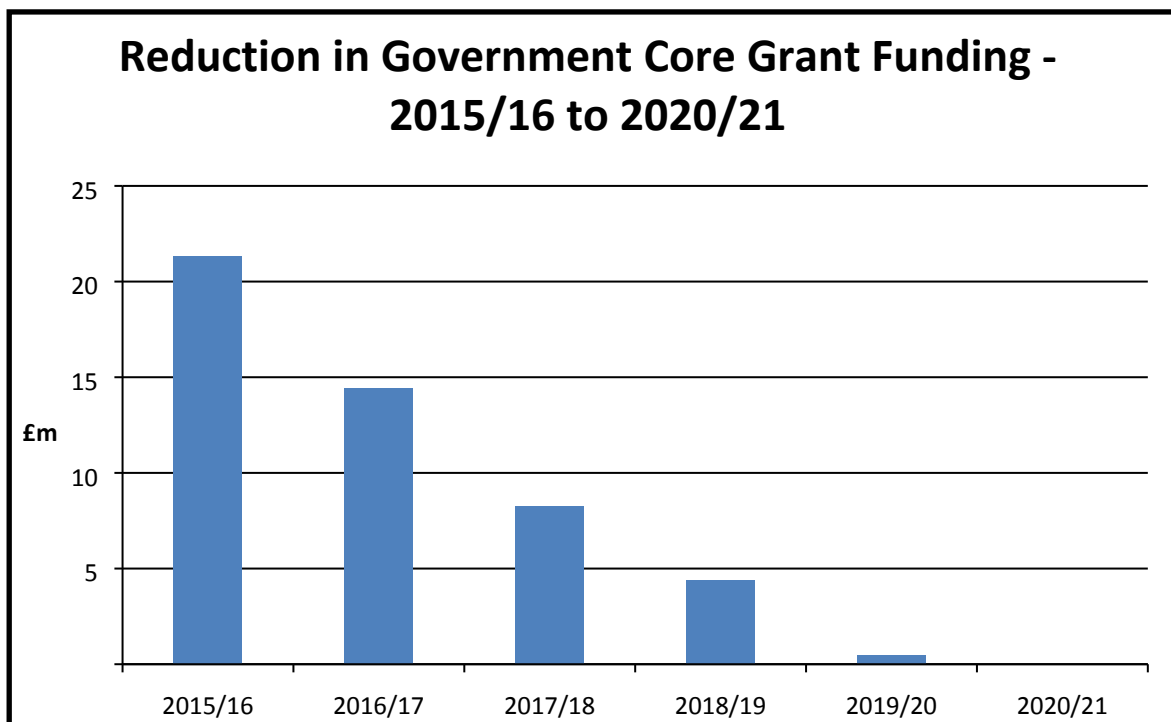


- ability to introduce a Local Tourism Levy;
- full cost recovery of planning fees - we will be engaging further on how best to compensate Bath & North East Somerset for these costs;
- funding for Special Education Needs and Disability;
- charges for listed building applications;
- removal of the NDR exemption for Listed Buildings;

The Government's timetable outlined that the new methodology would be used to distribute funds from 2020/21 onwards. However, with the recent announcement of a one year spending review on the 4<sup>th</sup> September it is looking increasingly unlikely that this timetable will be met and that some or all of the current funding streams will continue for a further year rather than the four-year settlement outlined in the Government's consultation paper on the 24<sup>th</sup> July 2018. Depending on which grants/funding are delayed the overall two year position outlined in this report continues to be a realistic estimate of the financial gap. It will be necessary to report further updates to Cabinet when further clarity can be obtained. This Strategy currently estimates the following impacts on the grant headings below:-

#### Revenue Support Grant

The strategy assumes that the remaining £0.49m Revenue Support Grant for 2020/21 will be removed.

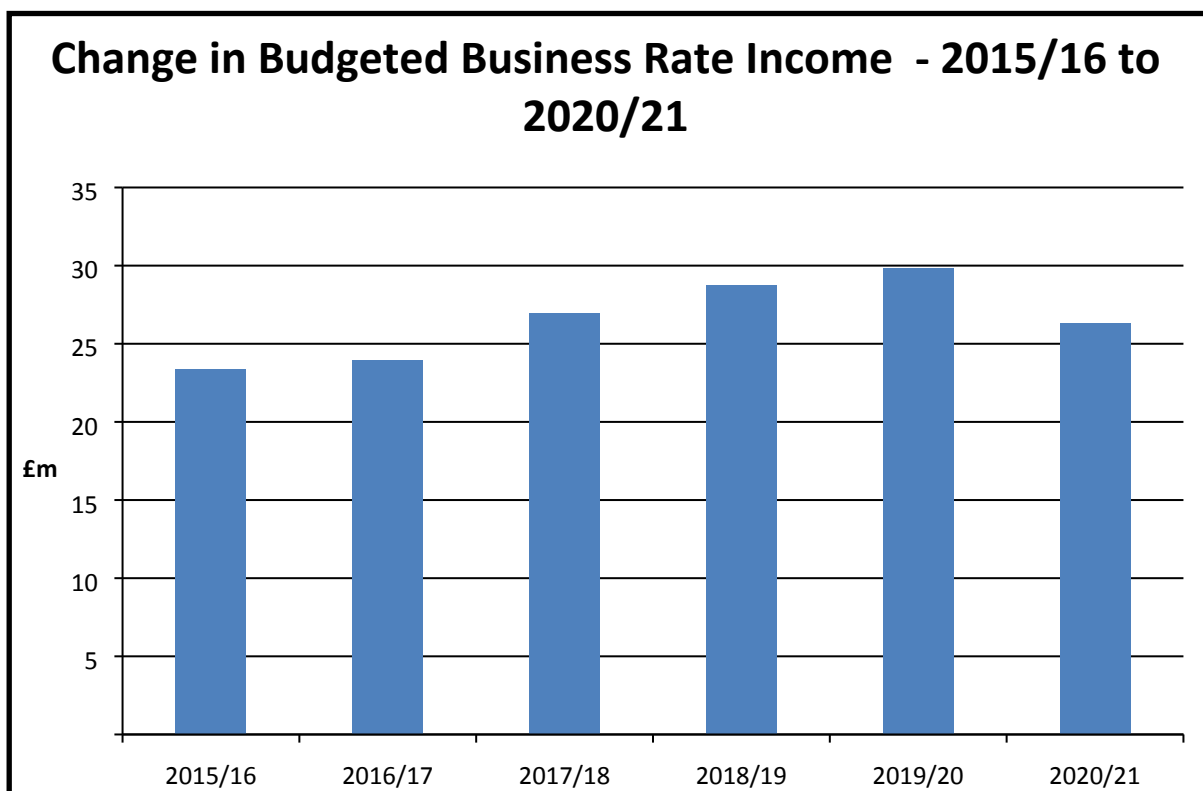


### New Homes Bonus

The 2017/18 Settlement announced changes to the funding arrangement for the New Homes Bonus (NHB) with the bonus reducing to 4 years in 2018/19. The 2019/20 consultation paper stated that New Homes Bonus would cease from 2020/21 and will be replaced with a different incentive. For financial planning purposes the grant has been phased out between 2020/21 and 2023/24. No further information has been received to date regarding the future or replacement of NHB.

### Retained Local Business Rates – 100% Business Rate Retention Pilot

In 2016 the Government announced that it was introducing pilot schemes for 100% business rate retention from 2017/18. The Government has asked WECA and the WECA unitary authorities for information regarding the impact the 100% pilot has had on the authorities. We currently have no further information and therefore have assumed that the Council will join the new 75% retention model 2020/21 resulting in an estimated £3.6m reduction in funding for 2020/21. The strategy also assumes that a baseline reset will occur in 2020/21.



(Note – the chart shows budgeted income rather than actual which is at risk from appeals etc)

As part of the proposed Budget, reasonable assumptions have been made for likely levels of future Business Rate income, together with specific provisions for appeals

and growth. Any surplus or deficit on the Business Rate Collection Fund will be transferred to an earmarked reserve for consideration as part of the Business Rates calculations for future years.

### Schools Funding

Schools are funded through the Dedicated Schools Grant (DSG) which is initially allocated to the Council by the Department for Education (DfE). The DSG supports all expenditure in schools (who set their own budgets) and the activities that the Council carries out directly for schools. It does not cover the statutory responsibilities the Council has towards parents. These responsibilities are funded through the Councils main revenue funding and included as part of the proposed budget.

As schools convert to academies the DfE take back the element of DSG payable to the local authority in order to make payments direct to the academies. It is estimated that over 85% of schools will have converted to academies by September 2020 and that all schools will develop plans to convert in the coming years.

With the introduction of the National Funding Formula (NFF) the DSG was ring-fenced for schools from 2018/19 making the LA responsible for the demographic pressures being observed in the SEND / High Needs element of the DSG. The Council currently holds £2.3m in reserves to meet any shortfalls once the schools contribute, one-off central Government grants are taken into account and any underspends within other useable DSG blocks are utilised.

The schools contributions are limited to 1 year under the NFF regulations and therefore further consultation is currently underway to gain a transfer from the Schools Block in 2020/21. The Capital Programme has been providing funding to provide additional SEND places in mainstream schools.

When schools convert to academies their reserves transfer to them and therefore school reserves have reduced significantly as a result reflecting that only 15% remain as maintained schools.

### Adult Social Care Support Grant

The Government has allocated £0.73m to B&NES to help reduce winter pressures on the NHS. The use of the funding is aimed at reducing Delayed Transfers of Care (DTOC) and authorities are required to meet certain conditions for its use. In addition a further one-off grant of £1.25m was allocated to relieve pressures in ASC or Children's Services. No further grant for 2020/21 has been announced.

## Adult Social Care Green Paper

The Adult Social Care Green Paper is still awaited. Although the Government recognises the pressures of ASC on Councils there is no current timeline for its publication.

## Better Care Fund

The Better Care Fund is intended to incentivise the integration of health and social care, requiring Clinical Commissioning Groups and Local Authorities to pool budgets and agree an integrated spending plan. Greater integration is seen as a potential way to use resources more efficiently, in particular by reducing avoidable hospital admissions and facilitating early discharge from hospital. The Government announced that the Better Care Fund was under review for 2020/21 but no further announcements have been made to date.

The Council and CCG's Better Care Fund has a minimum CCG funding contribution of £12.067m in 2019/20. The Strategy currently estimates that funding will continue at current levels given the known pressures on both the Council and the CCG.

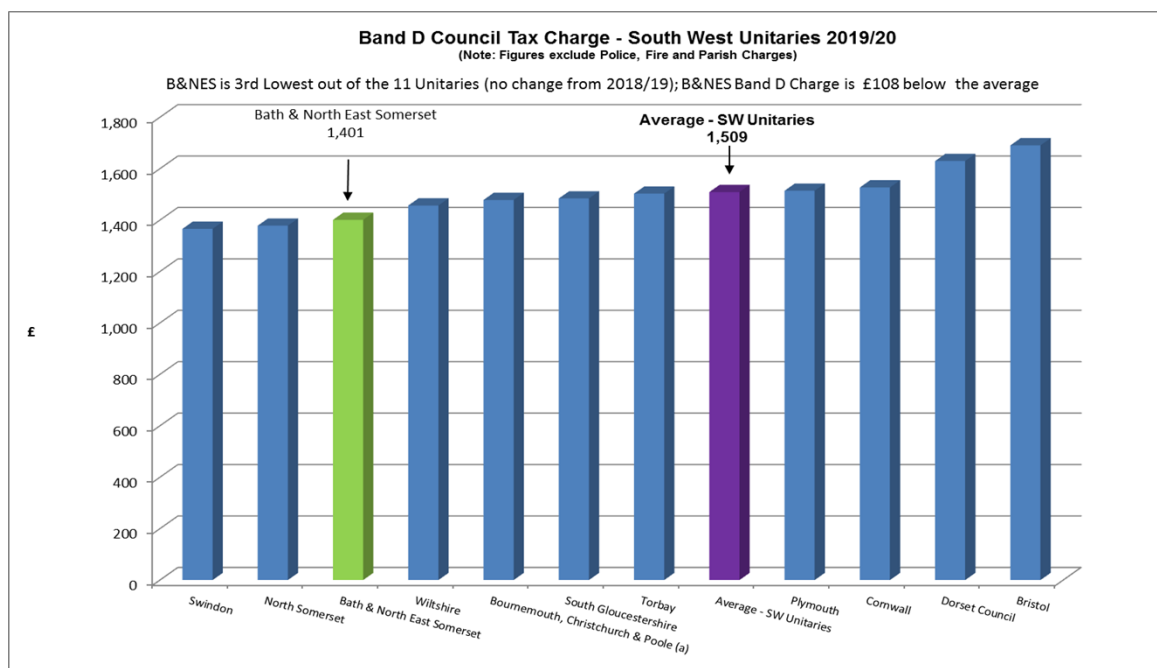
In addition to the minimum contribution the Chancellors budget announced 3 years of grant funding for adult social care from 2017. For 2019/20 the local allocations of one-off funding was £4.03m. This funding is pre-committed through the agreement of the Better Care Fund plan and is helping to protect current Social Care spending levels and meet the national conditions for the BCF plan including improving delayed transfers of care (DTC) performance. Whilst there have been no further funding announcements it is assumed that this level of funding will continue beyond 2019/20.

Both the Council and CCG would face significant funding challenges in the event that the £4.03m grant funding does not continue in 2020/21 as this is funding recurring care placements and helping enable hospital discharges into Social Care. The impact of this would need to be jointly managed with the CCG through the Health and Care Board that governs the Better Care Fund spending plan.

## **8. Council Tax**

### Comparison of 2019/20 Council Tax

The chart below shows how B&NES compares (3<sup>rd</sup> lowest) to other South West unitary authorities:-



### Council Tax Precept

The current funding gap in the MTFS assumes **2.99% increase** in council tax each year. This assumes that the Government's referendum principles continue to allow increases of up to 3% before a referendum is required.

The Government has factored 3% increases into each authority's "Spending Power" and funding figures.

### Adult Social Care Precept

The Government recognised some of the pressures facing Adult Social Care (ASC) authorities, providing for a continuation for a specific increase in the local council tax precept ringfenced to ASC. B&NES approved an increase of 2% in 2017/18, 3% in 2018/19, and 1% in 2019/20. There has been no further indication from central Government to extend the precept beyond 2019/20 and therefore no further increases have been factored in at this time.

### Long Term Empty Properties

Properties that are empty for more than two years are currently liable for a surcharge of 50%. The Government has passed legislation to enable Local Authorities to increase this to 100% surcharge. This premium is important as an incentive to bring back Long Term Empty properties back into use. Proposals may be brought forward for consideration as part of the budget setting proposals for 2020/21.

## 9. Strategy for Savings

Current estimates are that £36.8m savings will now be required over the next five years including savings already approved.

The strategy has outlined that the savings will be reviewed on a two year rolling profile which means that a target of £21.17m has been set assuming the £3.44m already planned is delivered and including a 15% target for new priorities. This strategy aims to smooth the savings required to increase the time needed for assessment and consultation of those savings plans.

The Council has become leaner and made significant staffing savings over the last two years but given the scale of the challenge faced, the Council needs to establish a significant transformation reserve to invest in innovations that will fundamentally change services and drive out cost and increase efficiency at pace. Current reserves are insufficient to support the scale of “one-off” investment required over the next 2-3 years if the council is to fundamentally shift its models of operation, maximise efficiency and deliver the commitments of the administration. We do have a model for this which works but it is insufficient to the scale of the challenge.

Work will be undertaken in the autumn to quantify the required level of resources to fund this transformation work that will inform a review of assets to be sold to accelerate the delivery of savings. Linked to the above there would be the need to invest in a Change/Transformation Office to bring all of the current and future savings and change projects into a single programme with a focus on ensuring delivery. A Change/Transformation Board will also be established chaired by the Cabinet Member for Resources/Deputy Leader which would ensure accountability of both Cabinet Members and Directors for the delivery of their elements of the programme.

In addition to this savings plans will be developed through:-

- Reducing service costs for services costing above average based on VfM assessment – waste and recycling, highways, and ASC to be reviewed for 2020/21;
- Priority based resourcing to develop options to reduce spend by reducing or stopping services but maintaining essential services;
- Maintain commercial income to increase discretionary charges only where appropriate/ full cost recovery;
- Shared services where appropriate/ right sizing with our partners e.g CCG and WECA;
- Targeted capital spend to reduce borrowing costs;
- Managing Demand (and the processes surrounding demand);
- Contract Savings - review of all contract spend to reduce costs.

## 10. Capital Programme

The Prudential Code for Capital Finance in Local Authorities was updated in December 2017. The objectives of the Prudential Code are to ensure that the capital expenditure plans of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved.

It required authorities to look at capital expenditure and investment plans in the light of overall organisational strategy and resources and ensure that decision are made with sufficient regard to the long term financial implications and potential risks to the authority.

To ensure that the capital programme remains affordable the following approach will be taken:-

- A review all existing provisional schemes and simplify, reduce, pause or stop as necessary;
- Minimise new schemes except those that meet corporate strategy priorities;
- Agree an affordable limit for new schemes requiring corporate borrowing;
- Ensure adequate investment in assets supporting key service provision (including meeting health and safety requirements or replace obsolete or inefficient assets/equipment);and
- Deliver or work with partners to deliver high priority government funded programmes and WoE programmes where they meet corporate priorities.

The Capital Programme will retain the clear separation of schemes for **Full Approval** and those which are for **Provisional Approval**.

Items gaining **Full Approval** are clear to proceed to full scheme implementation and delivery, subject to appropriate project management and governance.

Items for **Provisional Approval** will require either a further Officer decision and in some cases a formal Executive decision for Full Approval. The budget estimates for schemes shown for Provisional Approval are therefore included on an indicative basis, and as an aid to planning.

The Capital Programme will retain narrative only reference to pipeline projects and grant funding in early stage progression. These items will require further decision to incorporate into the programme at a later date, in line with the delegations outlined in the February Budget report.

The capital programme is aligned with the Community Infrastructure Levy allocations agreed for the coming financial year.

The following shows the capital programme approved in February 2019 as part of budget setting:-

<b>Cabinet Portfolio:</b>	<b>Budget 2019/20 £'m</b>	<b>Budget 2020/21 £'m</b>	<b>Budget 2021/22 £'m</b>	<b>Budget 2022/23 £'m</b>	<b>Budget 2023/24 £'m</b>	<b>Total £'m</b>
Development & Neighbourhoods	8.063	0.000	0.000	0.000	0.000	<b>8.063</b>
Economic & Community Regen.	28.582	31.456	7.582	3.321	1.281	<b>72.222</b>
Transport & Environment	10.252	0.239	0.110	0.000	0.000	<b>10.601</b>
Children & Young People	2.692	0.000	0.000	0.000	0.000	<b>2.692</b>
Finance & Efficiency	28.910	0.000	0.000	0.000	0.000	<b>28.910</b>
Transformation/ Customer Svcs	0.087	0.000	0.000	0.000	0.000	<b>0.087</b>
Capital Contingency	0.005	0.000	0.000	0.000	0.000	<b>0.005</b>
<b>Total</b>	<b>78.591</b>	<b>31.695</b>	<b>7.692</b>	<b>3.321</b>	<b>1.281</b>	<b>122.579</b>

### **Capital Schemes For Provisional Approval (Subject to)**

<b>Cabinet Portfolio:</b>	<b>Budget 2019/20 £'m</b>	<b>Budget 2020/21 £'m</b>	<b>Budget 2022/22 £'m</b>	<b>Budget 2022/23 £'m</b>	<b>Budget 2023/24 £'m</b>	<b>Total £'m</b>
Development & Neighbourhoods	24.346	1.816	0.971	2.055	0.408	<b>29.596</b>
Economic & Community Regeneration	24.356	9.943	10.792	0.985	0.635	<b>46.711</b>
Transport & Environment	3.529	7.056	5.924	5.204	4.829	<b>26.542</b>
Children & Young People	22.464	6.645	0.000	0.000	0.000	<b>29.109</b>
Finance & Efficiency	16.052	2.325	2.250	2.310	0.670	<b>23.607</b>
Transformation/ Customer Svcs	3.825	0.068	0.068	0.000	0.000	<b>3.961</b>
<b>Total</b>	<b>94.571</b>	<b>27.853</b>	<b>20.005</b>	<b>10.554</b>	<b>6.542</b>	<b>159.525</b>
<b>Grand Total</b>	<b>173.162</b>	<b>59.548</b>	<b>27.697</b>	<b>13.875</b>	<b>7.823</b>	<b>282.105</b>



The current capital programme that was approved in February 2018 was funded as follows:-

<b>Financing</b>	<b>Budget 2019/202 0 £'m</b>	<b>Budget 2020/202 1 £'m</b>	<b>Budget 2022/20 22 £'m</b>	<b>Budget 2022/20 23 £'m</b>	<b>Budget 2023/20 24 £'m</b>	<b>Total £'m</b>
Grant	56.346	21.874	10.597	6.805	5.829	<b>101.451</b>
Capital Receipts/RTB	8.666	3.495	0.791	6.135	0.635	<b>19.722</b>
Revenue	1.355	0.000	0.000	0.000	0.000	<b>1.355</b>
Borrowing	96.974	33.615	16.159	0.835	1.329	<b>148.912</b>
3rd Party (inc S106 & CIL)	9.822	0.564	0.150	0.100	0.030	<b>10.666</b>
<b>Total</b>	<b>173.162</b>	<b>59.548</b>	<b>27.697</b>	<b>13.875</b>	<b>7.823</b>	<b>282.105</b>

Note this does not include slippage from 2018/19 which totalled £29.0m.

Grants funding received from the WECA for feasibility studies, business case development and infrastructure schemes include:

- £400k towards improvements to the A39 / B3116 'Two Headed Man' junction;
- £700k towards improvements to the A39/A368 'Bence's Garage' junction;
- £40k towards improving cycle networks, including employer grants to encourage cycling to work;
- Investment of £10m in the area to establish a new Institute for Advanced Automotive Propulsion Systems;
- Funds to develop the road improvements schemes at Freezing Hill Lane and Hicksgate;
- £3.3m "Love our High Street" initiative;
- £43.3m towards Bath Quays enabling infrastructure works (Bath Quays North, Bath Quays South and Bath Quays Bridge).

These are funded from the additional investment funds received by the WECA as part of the devolution arrangements and reflected accordingly with the Councils revenue and capital budget proposals.

An allocation of up to £0.5m in revenue to support new schemes has been factored into each year of the Medium Term Financial Strategy. This enables high priority schemes to be approved as well as considering the impact on the revenue budget. The more detailed capital strategy will be updated for approval as part of the budget in February 2020.

Capital receipts will be used flexibly and further adjustments may be made as part of setting the budget for 2020/21 to replace some of the capital receipts with borrowing to ensure the first call on any receipts is to maintain flexibility within revenue. The current programme will continue to be reviewed to ease this financial impact.

The intention is to take a measured approach between borrowing in the current market climate and the utilisation of internal cash flow wherever possible. Borrowing has been factored into the strategy to ensure that the authority can meet its future borrowing obligations as well as taking advantage of current low interest rates. The decision on the timing of new borrowing will still be driven by market factors, particularly movements in interest rates to provide overall value for money to the Council

### Capital Risk Contingency

There are three levels of risk provision in relation to the capital programme.

- Individual major projects within the capital programme hold their own contingency in accordance with good project management practise to meet unavoidable and unforeseen costs;
- The capital programme includes a funded corporate risk contingency which will be maintained at £2m;
- The corporate risk assessment on which the general reserves target is based includes an element in the context of the capital programme based on the risks of the current programme.

As with all capital projects, relevant risks are being considered as part of the overall risk-assessed general reserves and the Corporate Risk Register.

### Minimum Revenue Provision (MRP) Policy

The Council is required to make revenue provision to repay capital spend that is financed by borrowing (either supported or unsupported). This is called the Minimum Revenue Provision (MRP). The Department of Communities & Local Government has issued regulations that require full Council to approve a MRP Policy in advance each year, or if revisions are proposed during the year they should be put to the Council at that time. The policy was updated in February 2019 and there are currently no revisions proposed.

## **11. Releasing Capital Receipts to Fund Savings Projects**

Central Government outlined in December 2015 that local authorities will be able under certain circumstances to utilise capital receipts for revenue expenditure for certain purposes. These include for example:-

- Sharing back-office and administrative services with one or more other council or public sector bodies;
- Investment in service reform feasibility work, e.g. setting up pilot schemes;
- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation;
- Collaboration between local authorities and central government departments to free up land for economic use;
- Sharing Chief-Executives, management teams or staffing structures;
- Aggregating procurement on common goods and services where possible, either as part of local arrangements or regional procurement hubs;
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;
- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, selling services to others).
- Integrating public facing services across two or more public sector bodies to generate savings or to transform service delivery;
- Improving systems and processes to tackle fraud and corruption;

Further guidance was released in March 2016 which outlined a simpler approach to allow authorities to utilise receipts if the spend resulted in an ongoing saving. The guidance is clear however that expenditure should be once-off and the flexibility cannot be utilised for ongoing expenditure.

The Strategy should list each project that plans to make use of the capital receipts flexibility and that on a project by project basis details of the expected savings/service transformation are provided. The Strategy should report the impact on the local authority's Prudential Indicators for the forthcoming and subsequent years.

The strategy in future years will monitor the performance of projects approved in previous years. The current flexibility is in place until March 2022 and therefore the budgets for 2020/21 and 2021/22 will continue to utilise this wherever possible as part of budget planning. The Strategy does not currently require further amendment and will be updated for approval as part of budget setting in February 2020.

## **12. Earmarked and Non-Earmarked Reserves**

Earmarked Reserves are set aside for specific purposes whereas Non-Earmarked Reserves are retained to meet unforeseen risks. A regular review of financial risks to

assess the optimum levels of balances and reserves will be reported to members annually. This ensures that the authority has sufficient funds to meet its key financial risks. The strategy remains that balances remain at a level that covers these key risks.

The current strategy for Non-Earmarked Reserves remains unchanged and will continue to be based on a financial risk assessment. The current target is to retain Non-Earmarked reserves within the range of £11.9m to £13.1m. The reserve is currently expected to remain within this range to meet key financial risks.

A review has taken place of key reserves as part of the overall MTFS to assist with medium to long-term financial planning and to smooth the impact of the quantum of savings required in each year. The management of these reserves is fundamental to the delivery of this strategy. The following table shows each of those key reserves and the expected balance at the end of the 2019/20 financial year:-

	<b>Unallocated Balance as at 1/4/19 £'m</b>	<b>Projected Use in Year £'m</b>	<b>Current Estimated Balance 31/3/20 £'m</b>
Revenue Budget Contingency	3.05	2.04	1.01
Financial Planning and Smoothing Reserve*	5.73	1.50	4.23
Transformation Investment Reserve *	2.15	1.85	0.30
Restructuring & Severance Reserve	2.18	0.00	2.18

Note \* Use of these reserves are in line with budget plans agreed in February 2019

The Budget Monitoring Report presented to Cabinet in September outlines that if the estimated over budget of £1.68m were to occur then £1.68m would need to be found from the Revenue Budget Contingency Reserve. This will need monitoring closely as there will be a requirement to top up this reserve for 2020/21 to £2.0m to meet budget risks next year. This will be found from reviewing all other reserves and also the use of any one-off income such as council tax surplus. The remaining reserves outlined above are being utilised as planned in the 2019/20 budget.

#### Using Reserves to Smooth Savings Targets

The strategy requires flexibility around capitalising costs and the flexible use of capital receipts to fund redundancy, transformation, and ICT costs where appropriate to free up reserves.

### 13. Reviewing the Strategy

This strategy will naturally span the life of the Council Plan but will be reviewed annually to take into account changes within and external to the organisation. In more uncertain times the strategy will be reviewed more frequently.

### 14. Public/Stakeholder Consultation

Planned public consultation will take place in the autumn period 2019.

Planned scrutiny of the MTFS through the Policy Development and Scrutiny Panel is planned for November 2019 with savings being scrutinized in January 2020.

### 15. Risks to the Medium Term Financial Strategy

The Strategy and Plan make regular risk predictions. The key risks to the plan are currently seen as:

Risk	Likelihood	Impact	Risk Management
Further demands on services continue to escalate beyond current estimates	Possible	High	Ongoing monitoring of spend and controls. Ensure reserves are sufficient to manage in-year pressures
Pay awards will be higher than estimated	Possible	Medium	Unions have currently requested a 10% increase. Increased provision to 2.75% for 2020/21 and will need to ensure that reserves are sufficient to meet any higher levels.
Interest rates reduce further impacting on investment income	Unlikely	Low	Rates are likely to stay lower for longer rather than decrease although the impact on interest rates post Brexit remains a risk. A prudent view has been taken within the MTFP and cash is being utilised for purchase of assets while rates are low.
Interest rates increase	Unlikely	Medium	A reserve is available for borrowing to manage market risk and long term borrowing costs have been factored into the longer-term MTFS

<b>Risk</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Risk Management</b>
Volatility and uncertainty around business rates	Likely	High	Ensure business rate income and appeals are monitored and that specific reserve is sufficient to manage in-year volatility
Anticipated savings not delivered	Possible	High	Ensure delivery plans are monitored and continue to assess on a regular basis. Ensure Budget Contingency Reserve sufficient to meet in-year issues.
Capital projects not delivered resulting in revenue reversion costs or liabilities from underwriting agreements	Likely	High	The Council has a number of projects within this category. These risks will continue to be monitored and reported. An assessment is made as part of the budget process to ensure that revenue reserves are sufficient to meet these risks. The capital programme methodology looks to de-risk projects wherever possible.
Changes to Government Policy that affects future funding	Likely	High	Need to monitor and continue to highlight impact
Economic downturn impacts on commercial income	Possible	High	Portfolio has been diversified to manage some of this risk especially within the retail sector
Brexit risks	Likely	Medium	Continue to highlight the demand pressures to central Government regarding Adult Social Care and Children's Services. Review reserves to manage any short-term impact. Monitor any economic impact.
Funding pressures through WECA, CCG and other partners	Possible	Medium	Ensure good communication links with partner organisations.
The additional income from Heritage may not be sustained	Possible	Medium	Continue to monitor income levels and impact on business plan

The key risks will continue to be monitored throughout the budget setting process and subsequently outlined in each budget setting report to Council and will be reviewed regularly, and reported through budget monitoring to Cabinet.

## **16.Next Steps and Timetable for the Corporate Strategy and 2020/21 Budget Setting**

Community engagement on the Council's Corporate Strategy and budget proposals will take place in the autumn period. In September, the Council Leader will update the Area Forums on the new administration's priorities in the context of the background information and plans set out in this report, and will seek feedback from attendees. Details of this process are set out below:

- 3<sup>rd</sup> September: Bathavon North Forum (Bathampton Village Hall, 6pm)
- 18<sup>th</sup> September: Cam Valley Forum (Freshford Memorial Hall, 6pm)
- 23<sup>rd</sup> September: Keynsham Area Forum (Keynsham Community Space, 6.30pm)
- 24<sup>th</sup> September: Somer Valley Forum (Swallow Community Café, 7pm)
- 30<sup>th</sup> September: Chew Valley Forum (Chew Valley School, 7pm)

Further updates on the work to develop the Corporate Strategy and MTFS will also be presented as appropriate to Parish Liaison on 30<sup>th</sup> October and the Area Forums due to take place in November and early December 2019.

The timeline also envisages that more specific budget proposals will be available for community engagement and feedback in December. It is therefore planned that at least one dedicated public engagement session will take place in December to promote feedback on what is being proposed for the budget. This would also provide an opportunity for dialogue and discussion of the approach being taken by the new administration to budget planning. The council work closely with our voluntary and community sector (eg through the "3SG" group) to ensure effective dialogue with local groups through this process.

For up to date details about the dates, timings and venues of Area Forum and Budget engagement meetings, please see here:

<https://www.bathnes.gov.uk/services/neighbourhoods-and-community-safety/localism-and-community-planning>

Views and feedback will be collated and reported to members through the detailed budget process. Policy Development and Scrutiny Panel arrangements are in place for November and January.

Cabinet and Council will consider the Corporate Strategy and budget in February 2020





# People Strategy 2019-2023

## Workforce planning and People Strategy Development

Cherry Bennett, Director of HR & OD



Accountable



Caring



Collaborative



Curious



Acting with  
Integrity



Outcomes driven

Bath & North East  
Somerset Council

# Outcomes

- To feedback on the 2019 Workforce Planning discussions that took place across all service areas
- To identify the key themes, opportunities and challenges this presents
- To introduce the People Strategy 2019-2023
- To obtain feedback from Members and set out next steps



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# Workforce planning: What's happened so far?

- Scrutiny panel in March 2018 supported approach to workforce planning aligned to organisational service plans
- Discussions with 26 Directors/Heads of Service and HR Business Partners between Jan and March 2019 (42 questions in 7 sections)
- Overall workforce plan for B&NES
- Feed this into development of our People Strategy 2019 - 2023



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# Workforce Planning discussions 2019

1. Recruitment and retention
2. Capacity and demand
3. Apprenticeships, Graduate Interns and Project Search
4. Career progression and development
5. Equality & Diversity
6. Health, Safety & Wellbeing
7. Service restructure & redesign

# Capacity & demand

Do you have sufficient workforce resource for 2019/2020?

*“The team is 60% smaller than it was so we have less than half the capacity however we have the same amount of work.”*

*“All services are at the minimum required to provide a service”*

*“It is now clear that further resource is needed to deal with property work. The volume of this is increasing and extra capacity would reduce the cost as the work is being put out to private firms. Having a shared service will help provide more resilience.”*

*“We are restricted in developing the service and increasing our income streams due to capacity in the workforce.”*

# Apprenticeships, Graduate Interns and Project Search

92 apprentices

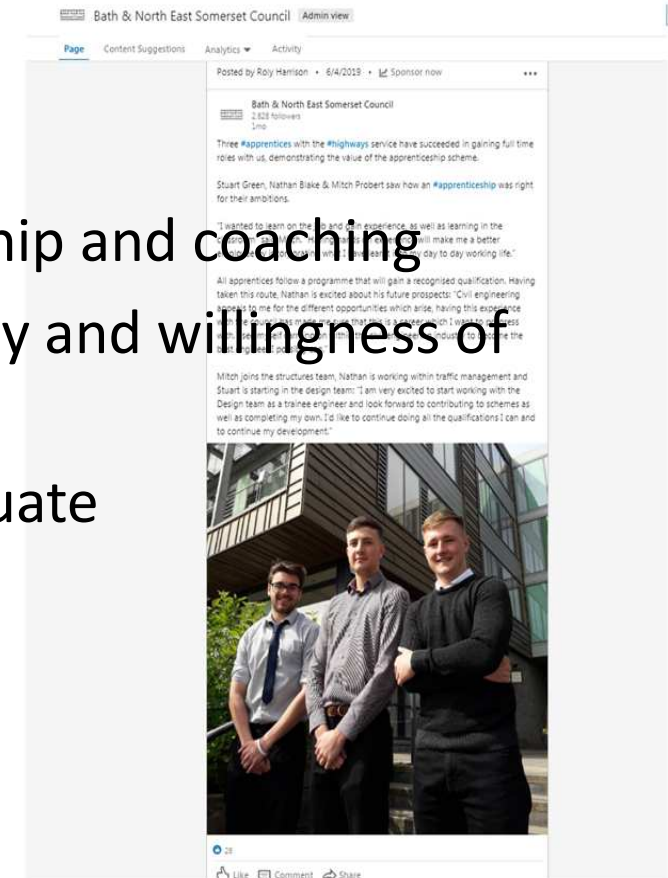
Spending our apprenticeship levy

Continuation with Project Search sponsorship and coaching

Capacity and demand issues affecting ability and willingness of managers to fill these roles

Some graduate level roles and patchy graduate

Intern engagement



**Bath & North East  
Somerset Council**



# Equality & Diversity



# People Strategy 2019 – 2023

## Enabling our people to be their best

5 key priority areas linked to Corporate Priorities:

1. Attraction, retention and workforce planning
2. Employee engagement and performance
3. Talent and development
4. Improving How We Work
5. Health, Safety & Wellbeing



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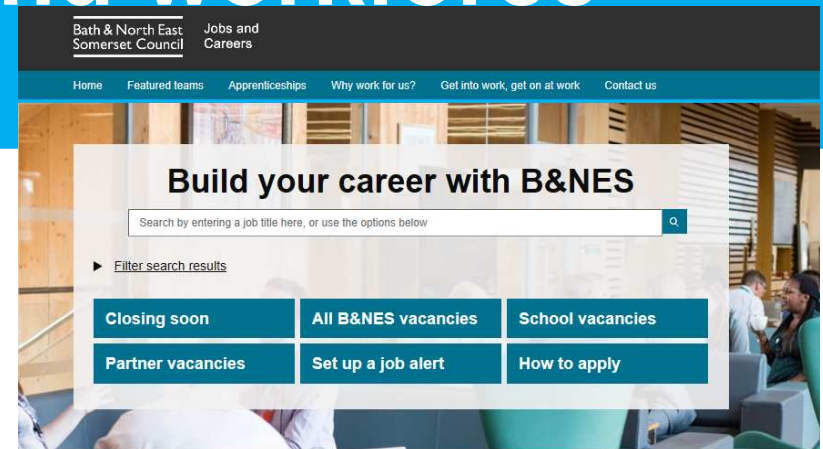
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# Attraction, retention and workforce planning

- Establish employer brand
- Modernisation of our recruitment processes
- Modernisation of our pay, grading and reward mechanisms
- Employ more from local schools and colleges
- Data driven



Learn more about this month's featured teams



# Employee engagement and performance

- Ensure good quality performance development conversations take place on a regular basis and are measured
- Listen to our staff on a more regular basis
- Refresh staff worker challenge groups
- Conflict resolution through mediation
- Data driven



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Somerset Council

# Talent and development



- Enhance and embed the @mybest programme to create defined career pathways for all
- Define and embed leadership behaviours through 360 feedback, targeted development, coaching and action learning sets
- Develop the succession plan for the organisation, identifying talent and creating opportunities internally where possible



# Improving How We Work

- Recognise and design the differences required to deliver services in new and different models
- Deliver the collaborative Improving How We Work Programme (including digital and flexible working programmes, corporate travel and future offices)
- Embed a business partnering approach across professional services teams



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# Health, Safety & Wellbeing

- Develop a mental health strategy and action plan
- Wellbeing activities maximised
- Risk assessment audit project about to launch
- Data driven



# Questions

- Key priorities?
- Is anything missing?
- Anything that should not be there?



Accountable



Caring



Collaborative



Curious



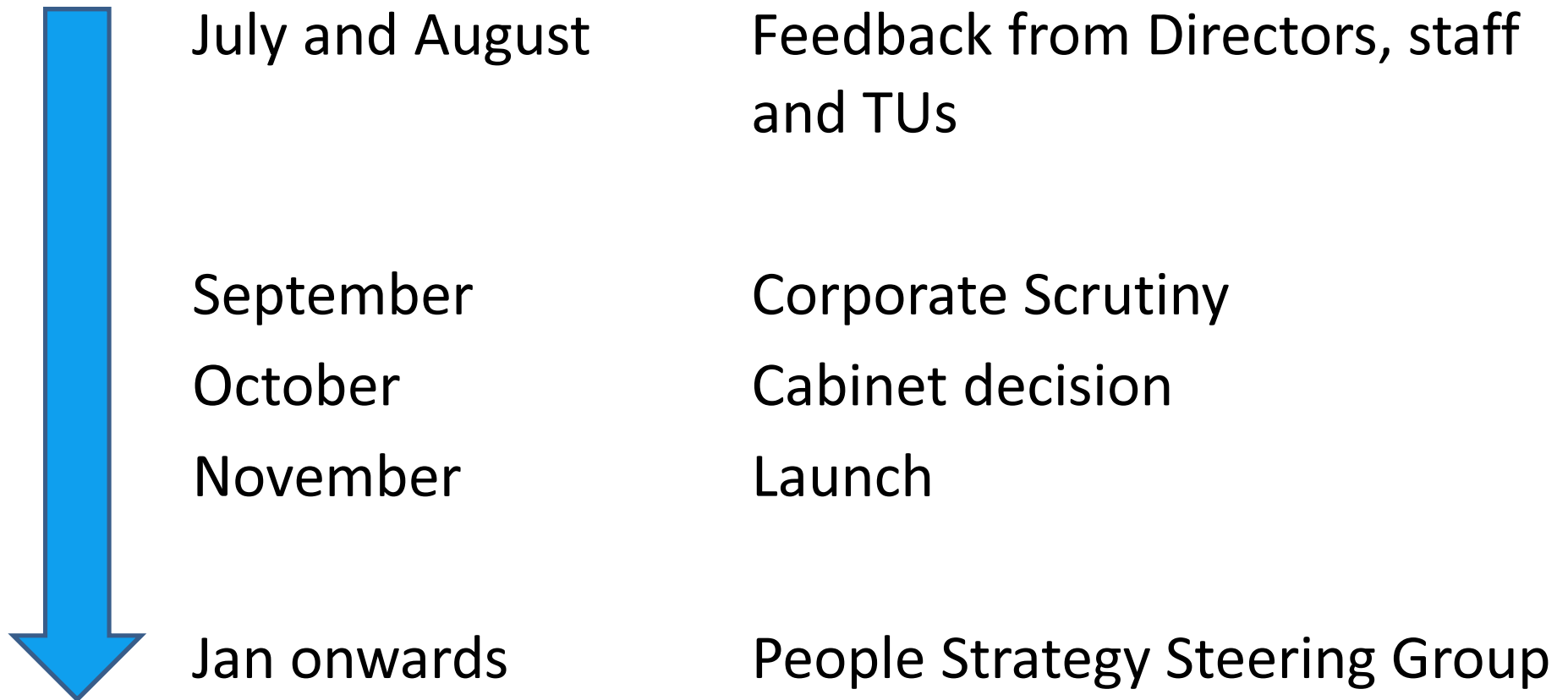
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# Next steps

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# People Strategy 2019-2023 (DRAFT)

*- Enabling our people to be their best -*

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## **Contents:**

1. Section One – Scope of the Strategy
2. Section Two – The local picture
3. Section Three – Key themes for 2019-2023
4. Section Four – Delivering and monitoring the Strategy

Last updated: 08/04/2019

## SECTION ONE: SCOPE OF STRATEGY

### Introduction – A People Strategy for 2019-2023

The People Strategy recognises the critical role that employees and our community partners have in every aspect of what the Council delivers. The Council is a people business – we deliver services for people by people.

The Strategy supports the Council's priorities as set out in the Corporate Strategy and outlines a plan of action for the next four years which will drive the development and effective management of our workforce delivering a core set of services.

It has a Council-wide focus and covers the period 2019-2023, alongside the Council's Corporate Strategy.

### Vision – Enabling our people to be their best

Considerable change has already taken place across the Council. Through our previous Organisational Development (OD) Plan, we are building on our successes and giving everyone who works for the Council the opportunity to be their best in line with the organisation's needs:

*“Develop everyone to maximise effectiveness, engagement and productivity so that we achieve our corporate priorities”*

As part of our approach, we have established a new Organisational Vision and set of values and behaviours that will help us deliver our priorities:

#### Our organisational vision...

**We are outcomes driven, working to provide the right services and solutions for our communities.**

**Our culture is open, owns decisions and is resilient.**

**We trust each other to act in the best interest of residents, customers and colleagues.**

#### We will...

- ➔ **Learn** from everything we do. We apply our learning to continually make improvements.
- ➔ **Use evidence** to make informed decisions to find cost effective solutions and reduce demand.
- ➔ **Embrace** diversity and value everyone's contribution.
- ➔ **Be resourceful** and efficient by reviewing our processes, removing duplication and making digital preferences.



#### Accountable

We all take responsibility for our actions



#### Caring

We do our best for each other and the people of Bath & North East Somerset



#### Collaborative

We work together to create efficient and sustainable solutions



#### Curious

We ask questions and listen to understand and improve



#### Acting with Integrity

We are transparent and build trusting relationships



#### Outcomes driven

We create solutions and deliver

These values are central to the development of this People Strategy and guide the ongoing work of the HR, OD and HSW Team as mapped below:

	HR Theme	OD Theme	Health, Safety and Wellbeing Theme
<b>Accountable</b>	Supporting new service delivery models	Change, efficiency and engagement	Safe working practices
<b>Caring</b>	Performance Management	Coaching and performance	Wellbeing initiatives
<b>Collaborative</b>	HR Partnership	OD Partnership	Health, Safety and Wellbeing Partnership
<b>Curious</b>	Better ways of working	Continuous improvement	Safe ways of working
<b>Acting with Integrity</b>	Evidence based decision making	Digital and diagnostics	Monitoring and reporting
<b>Outcomes Driven</b>	Evolving service delivery and the structures which support this	Organisation design	Leading and Managing Safely

## SECTION TWO – THE LOCAL PICTURE

### Key facts and infographics about our workforce profile (to be completed)

For example:

- We employ circa 2,158 staff over multiple office, depot, school and other sites including parks, children's centres and the crematorium. The main offices are in Bath, Keynsham and Midsomer Norton with depots at Midland Road, Locksbrook, Pixash Lane in Keynsham and Midsomer Norton.
- Employee turnover is 2.7% (based on March 19 figures)
- Our sickness levels are 2.31 average days per FTE
- X% staff female/male, disabled/ethnicity/full time or part time in each grade
- 9% of our staff are over 60 = 0.09% under 25 = 0.05%
- Our [Gender Pay Gap](#) for 2018 was a median gap of -0.5% and a mean gap of 6.61% in average hourly earnings between female and male staff.
- Local demographics
- We work with a wide range of partner and voluntary organisations across the numerous communities of Bath & North East Somerset.

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WEST OF ENGLAND  
Combined Authority

BATH & NORTH EAST SOMERSET  
BRISTOL  
SOUTH GLOUCESTERSHIRE

**NHS**  
Bath and  
North East Somerset  
Clinical Commissioning Group

 **Julian House**  
The home of opportunity

 **virgin care**

 **Sirona care & health**  
Publicly funded NHS & Social Care Services

 **DHI** Developing Health  
& Independence

 **curo**

## **SECTION THREE – KEY PRIORITIES**

The People Strategy identifies five priority areas for 2019-2023. For each priority we have given an overview of what our focus is and what we plan to do within the constrained financial context that we work in. We are ambitious but also realistic in our plans and have focused on five key areas.

A more detailed annual action plan will be developed and monitored to sit underneath this strategy and set out detailed deliverables, timescales, ownership and accountability.

### **1. Attraction, retention and workforce planning**

#### Why is this a priority?

We know that we have no choice but to change the way we do things as an organisation in order to keep pace with increased demand, rising costs and reduced funding.

To do this, it is essential that our staff have the right skills to deliver improved ways of working and that we have a workforce that is fit for purpose – this includes developing skills for the 21<sup>st</sup> Century Public Servant, commercial awareness, contract management and working digitally. We also need a clear process for annual workforce planning which is aligned to our corporate priorities and driven by our business needs, not by our processes.

We are looking to attract and retain staff in an increasingly competitive employment market. We therefore need a clear employer brand and approach for attracting the right people with the diversity of skills the organisation and our community needs. Now more than ever, we need a strategy to ensure that the staff we have are motivated, productive and engaged in meaningful work. We know that the opportunity for good learning and development is a strong motivating and retaining factor for employees at B&NES and we want to build on this, which could include retraining existing staff into growth areas.

#### What is our focus – what are we planning to do?

- Carry out modernisation of our recruitment processes, including the introduction of a new careers website, use of social media, and flexible

ways for applying for jobs including recruitment processes tailored to particular target groups.

- Carry out a large scale modernisation of our pay and grading structure and mechanisms, including introducing performance related progression
- Develop a clear and attractive employer brand using real life stories to recruit the best staff to recognise the value of working in local government in Bath, Keynsham, and Midsomer Norton (this includes apprenticeships and hard to fill roles such as social workers, drivers, civil enforcement officers, engineers, accountants, pensions roles, and education staff)
- Focus on understanding the local workforce and job market and work in partnership with local schools, colleges, Universities and the third sector to promote opportunities for local employment at B&NES.
- Develop a clear total reward and recognition offer to celebrate our successes and retain talent (this includes learning and development, community volunteering opportunities, staff benefits, pensions package, and saying thank you for 'going the extra mile') in line with our values

#### How will we measure success?

- Some staff turnover in the right roles and for the right reasons
- Posts are successfully recruited to at the first attempt from a local workforce where appropriate
- Staff feel valued (confirmed through the staff surveys)
- Our workforce is more representative of the local demographics

## 2. Employee engagement and performance

### Why is this a priority?

To achieve the right outcomes for our community, we want to develop the culture, leadership and environment for staff to work to their full potential and to be their best.

We value all of our employees and we want to build and encourage an inclusive culture where everyone feels able to participate and achieve. We also want to promote and enhance diversity across the organisation.

We want to continue to develop opportunities for meaningful two way communication – regularly listening to what staff have to say and encouraging staff to tell their stories.

### What is our focus – what are we planning to do?

- Refresh the Staff Worker Challenge Groups so that the employee voice is heard
- Build on our strong Trade Union relationships and maintain transparency, openness and constructive challenge on all aspects of work
- Have regular Leading & Managing Together sessions along with Director Development days, bi-annual staff briefings, encouraging cross-functional working
- Have a “Series of Conversations” between Members and the Senior Management Team to ensure collaboration
- Create a culture where coaching is our preferred leadership and management style and regular, good quality performance development conversations (PDCs) take place
- Build relationships with partner agencies to build reciprocal coaching arrangements
- Hold a staff survey every other year with smaller temperature check surveys in between – and a commitment to being open and transparent with the findings and action plans
- Resolve conflict at work at the earliest stage and lowest level possible using trained mediators from HR & OD, the Trade Unions and managers

### How will we measure success?

- Employee engagement score in staff survey is higher than 60%

- We are able to measure and articulate the impact of our coaching and evolve our strategy accordingly
- 100% of staff have had a PDC in the last year
- 100% of staff have completed the core training required for their role
- Mediation has been used to resolve more than 60% of workplace conflict and the number of grievance cases has decreased
- Membership of worker challenge groups has increased proportionately and increased two-way dialogue between the groups and senior management
- Trade Union recognition agreement in place with regular joint meetings

### 3. Talent and development

#### Why is this a priority?

In order for B&NES to be a success, we need to develop the right leadership and management skills, knowledge and behaviours at all levels, not just for the B&NES employees, but for our partners and the community too.

This means developing the considerable and varied talent we have and retaining key staff who are our leaders for the future.

We also know that, as the role of local government changes, we need to be adaptable and flexible as a workforce. This means supporting our staff and wider community to be their best and have the right skills and knowledge to respond to this.

#### What is our focus – what are we planning to do?

- Enhance and embed the @mybest programme to create defined career pathways for all from apprenticeships through to senior leadership
- Develop regular tailored development opportunities for particular groups e.g. Development Plus for Women
- Continue to grow the number of apprenticeships (both new and upskilling) we have and the routes which people can access them
- Define and embed leadership behaviours through 360 feedback, targeted development, coaching and action learning sets
- As part of workforce planning, develop the succession plan for the organisation, identifying talent and creating opportunities internally where possible
- Put in place structured work experience programme across the council, that will provide access for local students from local schools and colleges where staff support delivers skills development
- Support Member development through induction, learning and regular feedback

#### How will we measure success?

- Through the measurement and impact of return on investment from all development programmes reported annually
- Attendance on Development Plus, Stepping Up and other programmes aimed at enhancing opportunities for those from diverse backgrounds meets our targets, is increased gradually year on year and outcomes are recorded.

- Attendance on work experience programmes meets our targets, is increased gradually year on year and outcomes are recorded.
- We have identified our skills gaps and have a plan to close them
- Evaluation of learning outcomes that are reviewed for continuous improvement
- 100% utilisation of our apprenticeship levy funds deployed strategically including to partner organisations
- Evaluation of the impact of the work experience programme for both participants and staff

## 4. Improving How We Work

### Why is this a priority?

We know that we need to modernise and improve how we work. This will enable us to effectively deliver our core service, meet the significant savings and efficiencies we need to make and make the Council more agile. As part of this, our staff should be able to access systems and information digitally and have the necessary skills and technology to do this.

We also need to ensure that staff have the skills and capability to manage our commercial activities effectively; to balance income generation with service provision, to commission and manage contracts effectively and ensure value for money.

### What is our focus – what are we planning to do?

- Deliver the collaborative Improving How We Work Programme (including digital and smart working programmes, corporate travel and future offices)
- Develop and enhance digital skills to drive efficiency, engagement and productivity
- Recognise the differences required to deliver services in new and different models through:
  - Integration (CCG)
  - Single shareholder arrangements (e.g. ADL, BTP)
  - Mutual arrangements (e.g. Youth Connect)
  - Traded services (e.g. One West, Health and Safety)
  - Income generating services (e.g. Heritage, Waste)
  - Partnership arrangements (e.g. WECA, Adoption West)
  - Shared services
  - Working with our communities (e.g. community libraries, volunteering)
- Embed a business partnering approach across professional services teams
- Provide targeted coaching programmes to support implementation of this work using our internal coaching pool

### How will we measure success?

- The Improving How We Work Programme has delivered its objectives
- 100% have access to Employee Self-Service, Learning Zone and the intranet.

- All staff will be digitally enabled with access to information and resources via the right technology for their role
- 
- Staff have the commercial awareness and skills to operate effectively
- There will be a business partnering model in place across HR, Finance, IT, Marketing, Business Support and Business Intelligence



## 5. Health, Safety & Wellbeing

### Why is this a priority?

In this complex environment, we must ensure legal compliance in terms of Health and Safety at all times, ensuring that our estate is a safe place to work, but also to go beyond this to enable staff to be healthy and engaged in their work. We care about our staff and know that they will perform if they are safe and happy at work, and have a healthy, balanced approach to all aspects of their lives.

We continue to provide a high quality traded Health, Safety & Wellbeing service to schools and multi-academy trusts which provides an income stream to the service and supports the wider work we do.

### What is our focus – what are we planning to do?

- Develop a detailed mental health strategy and action plan, with a focus on preventing stress and supporting lone working
- A comprehensive programme of wellbeing activities including wellbeing champions
- A full audit and update of all risk assessments across all areas of the Council's business
- Ensuring accountability and responsibility for all health, safety and wellbeing matters is at the right level in the organisation
- Review of key performance indicators throughout the Council and regular monitoring and measuring to ensure compliance
- Be clear on our governance arrangements and ensure accountability is at the right levels, with an annual report to the Council each year.
- Develop comprehensive 2 or 3 year SLAs with schools to provide a Health, Safety and Wellbeing Service that is robust and planned in the medium-term.

### How will we measure success?

- All staff are clear about their individual role and responsibility for health, safety and wellbeing whatever their level in the organisation

- The key performance indicators will be reliable and used to inform decision making
- Sickness absence levels and monitored and reduced, specifically long-term absences relating to mental health
- SLAs are signed and renewed with schools
- Appropriate risk assessments are in place across the organisation and reviewed on a regular basis

## **SECTION FOUR - HOW WE WILL DELIVER AND MONITOR THE PEOPLE STRATEGY**

Implementation of the People Strategy will be led by the HR and OD Team, who work closely with services across the Council through a network of business partner relationships.

A detailed action plan will be developed to sit underneath this Strategy, setting out the specific deliverables for each priority, timescales and performance measures. The action plan will be refreshed each year as part of the Council's wider service planning process.

The Strategy will be owned by a People Strategy Group, Chaired by the Chief Executive (Head of Paid Service), who will be responsible for monitoring progress and reporting to both the relevant Cabinet member and Policy Development and Scrutiny Panel as appropriate.

### **HR and OD Service Developments**

Alongside the organisational priorities identified in the strategy above, the HR & OD Team have identified some service specific priorities which they will be focusing on during 2019-20 which are summarised below:

#### **What is our focus – what are we planning to do?**

- Review HR & OD policies and guidance to check that they are fit for purpose, simple and accessible
- Complete the centralisation of the training function and budgets and deliver budget savings of £350k
- Ensure that ITrent and Learning Zone are the master data systems for all people data which will be presented through the People dashboard. The data will be uploaded monthly and the content of the dashboard will be reviewed annually to ensure it's answering the questions that fit with the People Strategy.
  - Improve digital solutions for HR & OD activities including learning (webinars, blended learning), HR processes, and performance monitoring.
  - Continue to meet our statutory duties (e.g. workforce reporting, gender pay gap, trade union facilities time, pensions auto re-enrolment, DBS)
  - Ensure that all of our contracts are fit for purpose and providing value for money

### **Managing Risks**

Corporate risk register – recruitment and retention of the right staff with attractive, competitive pay and terms and conditions.  
Ensure we have the capacity to deliver against difficult financial context, resilience and capacity of staff.

<b>Bath &amp; North East Somerset Council</b>	
MEETING:	<b>Corporate Policy Development &amp; Scrutiny Panel</b>
MEETING:	<b>24<sup>th</sup> Sept 2019</b>
TITLE:	<b>COUNCIL COMPANY ANNUAL ACCOUNTS</b>
WARD:	All
<b>AN OPEN PUBLIC ITEM</b>	
<p><b>List of attachments to this report:</b></p> <p>Appendix 1 - ADL annual report and accounts 2018/19</p> <p>Appendix 2 - ACL annual report and accounts 2018/19</p> <p>Appendix 3 – Visit Bath annual report and accounts 2018/19</p>	

## **1 THE ISSUE**

- 1.1 To note the annual accounts of Aequus Developments Limited (ADL), Aequus Construction Limited (ACL) and Visit Bath.

## **2 RECOMMENDATION**

The Panel is asked to;

- 2.1 Note the ADL 2018/19 year end audited accounts (Appendix 1)
- 2.2 Note the ACL 2018/19 year end audited accounts (Appendix 2)
- 2.3 Note the Visit Bath 2018/19 year end audited accounts (Appendix 3)

## **3 THE REPORT**

- 3.1 The Council wholly owns the property company, ADL and its subsidiary ACL, to develop, deliver, own and manage property as well as delivering new development on a case by case basis. Both ADL and ACL are companies limited by shares.
- 3.2 As shareholder of ADL (and ultimately ACL), the Council is asked to note the accounts of these companies.
- 3.3 The Council has sole ownership of Visit Bath (formerly Bath Tourism Plus) which is a company limited by guarantee, with the Council as sole member of the company.
- 3.4 As sole member of Visit Bath, the Council is asked to note the accounts of this company.

## **ADL & ACL – COMPANY ACCOUNTS**

- 3.5 The draft ADL and ACL Accounts were approved by the company Board on 6th June 2019 and the Shadow Holding Company Board on 19th June 2019. They have been subject to independent audit by the appointed auditors, Monahans, and their report is included in both sets of accounts. The Audited Accounts were then approved by the company AGM (with the Leader as Shareholder) on 12th July 2019.
- 3.6 The ADL 2018/19 accounts (appendix 1) show that the company has made a profit before tax of £471k. This includes an underlying desktop revaluation of the portfolio of £458k together with an underlying operating surplus of £13k. This compares to the previous year's profit before tax of £283k. It should be noted that revaluations of the property portfolio are for accounting purposes only and do not create distributable profits. The assets are returned at nil cost to the Council at the end of their 50-year lease ensuring all capital appreciation is retained by the Council.
- 3.7 Capital receipts of £1,219k have been paid to the Council by ADL during the year together with interest and arrangement payments on loans to a value of £49k, as well as a net property rental income share of £26k
- 3.8 The ACL 2018/19 accounts (appendix 2) cover the second trading period for the company and shows that the company made a loss before tax of £448k. This compares to the previous period loss before tax of £164k. This is as expected and in line with projections reflecting the company's costs incurred with the Riverside View development during the construction phase. The sales of the first phase of apartments will start to complete from the end of September 2019.
- 3.9 ACL returns to the Council for 18/19 are £268k including interest and arrangement payments of £224k and management charges of £43k.
- 3.10 Further details for each of the company activities are provided within the Director's Reports forming part of the accounts for each company.

### **Visit Bath Company Accounts**

- 3.11 The Visit Bath 2018/19 final accounts (appendix 3) were approved by the Board on the 9<sup>th</sup> September 2019. They have been subject to independent audit by the appointed auditors, Moore Stephens.
- 3.12 The Visit Bath 2018/19 accounts show that the company has made a gross surplus of £349k, however after operating costs this resulted in a deficit for the financial year of £126k. This is a £53k improvement on the prior year's accounts deficit of £179k which has been achieved through a reduction in operating costs.
- 3.13 The financial position of the company is in line with business plan projections with the deficit position attributable to the repayment of one off transitional costs from office moves and a reduction in income from a smaller Christmas market footprint in 2018/19.
- 3.14 Further details on the company's activities are provided in the Director's Report within the company accounts.

## **4 STATUTORY CONSIDERATIONS**

- 4.1 ADL and ACL are governed in accordance the Council Approved LA Company Protocol including Shareholder Agreement and Reserved Matters.
- 4.2 Visit Bath is a company limited by guarantee and does not currently fit within the holding company structure; company oversight is undertaken by the lead Director who has delegated budgetary authority for managing the contract with the company and associated financial governance and monitoring arrangements.
- 4.3 These accounts for each of the Companies are provided to the Council for consideration in accordance with the Local Authorities (Companies) Order 1995.

## **5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)**

- 5.1 The resource implications including the specific financial impact on the Council for each company is set out within the body of the report.

## **6 RISK MANAGEMENT**

- 6.1 Each of the companies are required to maintain appropriate risk management arrangements specific to their activities and operations for which the relevant company Board is responsible. Full details are reported to the Council (as Shareholder) as part of the annual business planning processes and client monitoring arrangements for each company

## **7 CLIMATE CHANGE**

- 7.1 This is an information only report about the Council's Company Accounts, it therefore does not include any decisions that have a direct impact on Climate Change.

## **8 OTHER OPTIONS CONSIDERED**

- 8.1 None

## **9 CONSULTATION**

- 9.1 The ADL, ACL and Visit Bath accounts have been drawn up with support from external experts and the Monitoring and S151 Officers have had the opportunity to review and input into this report.
- 9.2 The accounts have been subject to rigorous review by the individual company Boards, independent audit, and for Aequus the Shadow Holding Company Board and the Annual general Meeting with the Shareholder).

<b>Contact person</b>	Martin Shields, Corporate Director – Tel: 01225 396888
<b>Background papers</b>	None
<b>Please contact the report author if you need to access this report in an alternative format</b>	

**Report of the Directors and**  
**Financial Statements**  
**for the Year Ended 31 March 2019**  
**for**  
**Aequus Developments Limited**

**Contents of the Financial Statements**  
**for the Year Ended 31 March 2019**

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**Aequus Developments Limited**

**Company Information**  
**for the Year Ended 31 March 2019**

**DIRECTORS:**

C D Gerrish  
L J Kew  
R H Marshall  
D P E Quilter  
T Richens  
D P Robathan

**REGISTERED OFFICE:**

20 Old Bond Street  
Bath  
BA1 1BP

**REGISTERED NUMBER:**

10060817 (England and Wales)

**Aequus Developments Limited**  
**Report of the Directors**  
**for the Year Ended 31 March 2019**

The directors present their report with the financial statements of the company for the year ended 31 March 2019.

**PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of an investment property company.

**REVIEW OF BUSINESS**

It gives me great pleasure to present this Annual Report to the shareholder, my third as Chairman. This report focusses on the business of Aequus Developments Limited (ADL) with the results for our 100% subsidiary, Aequus Construction Ltd (which deals with the construction and development sites) being reported separately in the Annual Report of ACL.

During this third full year of operation, I have had the opportunity to see the developing portfolio ADL will be managing, continuing to build on the successful start in 2016/17; we continue to create a sustainable business, to the benefit of our shareholder and most importantly bringing homes back into use for our wider community.

Operational progress during the year, further property refurbishments were completed. The additional thirteen units of accommodation bring the total number of units to 33. These properties, in particular the Homes of Multiple Occupancy (HMOs) are largely targeted at the young professional market and are relatively affordable.

The transfer of properties hasn't progressed as quickly as originally anticipated and we will continue to work with Bath & North East Somerset Council (the Council) to improve the process for transfer of these properties going forwards. ADL has agreed with the Council that, going forwards, new refurbishments of properties will be carried out by ADL rather than the Council, to further streamline the completion of the transfer process.

Underlying void levels were 2.76% over the year, after exclusion of new property void. We anticipate this void level remaining within the target of 5% as the size of the portfolio increases.

Rental income levels have remained healthy during the year. ADL has adopted a standard approach to revaluation of properties across the portfolio based on sector specific data from an independent source giving rise to a positive lease portfolio revaluation exercise. This will be reviewed annually and reflects the current state of the market and strong demand.

ADL continue to use the Deposit Protection Scheme for tenants and work closely with our property managing agent Stonier Hobbs who continue to support the relationships with our tenants and carry out the property management day to day activities, for which I thank them for their continuing input.

On top of the existing residential homes, ACL will be bringing forward sites, starting with Riverside View in Keynsham, which will also supply properties to ADL for letting. By the end of the financial year 2021/22 our aim is to have identified up to 200 new homes for delivery through both ADL and ACL.

We will need to continue to monitor the risks to the sector including potential impacts of Brexit.

Financial performance, the total turnover of ADL has decreased from £253,219 in 2017/18 to £239,256 in 2018/19, however during 2017/18 works were carried out setting up ACL and a management fee income of £109,651 was earned by ADL as a one-off income. The rental income increased from £143,568k in 2017/18 to £238,731 2018/19 and is forecast to increase further as the portfolio expands.

The profit before tax is £471,431, largely due to the lease revaluation in the year of £458,052; this is not in a position to be released as dividend as the lease revaluation is non-distributable; all capital appreciation is retained for the Council.

In total, £1,218,891 worth of capital receipts have been returned to the Council during the year together with interest, arrangement payments on loans and rental income from one exceptional holding outside the core portfolio to a total of £74,533.

The financial performance in the year has been solid which continues to give us confidence for the future. The opportunity Our executive team continues to look at opportunities to grow ADL in a sustained manner that delivers value to its shareholder and the wider community.

With the progress of the ACL developments we will explore options to expand our rental portfolio through investment in developments such as Riverside View in Keynsham. This will support plans to diversify from central Bath and provide good quality rental properties to other areas within Bath & North East Somerset.

**EVENTS SINCE THE END OF THE YEAR**

Information relating to events since the end of the year is given in the notes to the financial statements.

**Aequus Developments Limited**

**Report of the Directors**  
**for the Year Ended 31 March 2019**

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 April 2018 to the date of this report.

C D Gerrish  
L J Kew  
R H Marshall  
D P E Quilter  
T Richens  
D P Robathan

Other changes in directors holding office are as follows:

M Shields - resigned 30 April 2018

**FINANCIAL INSTRUMENTS**

Aequus Developments' financial risk management objectives and policies, including exposure to market risk, credit risk and liquidity risk are set out in note 17 to the financial statements.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**AUDITORS**

The auditors, MHA Monahans, will be proposed for re-appointment at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

**ON BEHALF OF THE BOARD:**



.....  
C D Gerrish - Director

Date: 12 July 2019 .....

**Report of the Independent Auditors to the Members of**  
**Aequus Developments Limited**

**Opinion**

We have audited the financial statements of Aequus Developments Limited (the 'company') for the year ended 31 March 2019 which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other information**

The directors are responsible for the other information. The other information comprises the information in the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Directors has been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Directors.

**Report of the Independent Auditors to the Members of**  
**Aequus Developments Limited**

**Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page three, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.


**Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

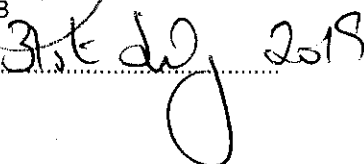
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the Auditors.

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

  
Martin Longmore (Senior Statutory Auditor)  
for and on behalf of MHA Monahans  
Statutory Auditor  
Chartered Accountants  
Lennox House  
3 Pierrepont Street  
Bath  
Somerset  
BA1 1LB

Date: .....

  
31st July 2018

**Aequus Developments Limited**

**Statement of Profit or Loss and Other Comprehensive Income**  
**for the Year Ended 31 March 2019**

		2019	2018
	Notes	£	as restated £
<b>CONTINUING OPERATIONS</b>			
Revenue	3	239,256	253,219
Cost of sales		(91,723)	(37,421)
<b>GROSS PROFIT</b>		147,533	215,798
Gain/loss on revaluation of investment property		458,052	280,524
Administrative expenses		(87,226)	(180,663)
<b>OPERATING PROFIT</b>		518,359	315,659
Finance costs	5	(46,928)	(32,241)
<b>PROFIT BEFORE TAXATION</b>	6	471,431	283,418
Taxation	7	(80,617)	(51,042)
<b>PROFIT FOR THE YEAR</b>		390,814	232,376
<b>OTHER COMPREHENSIVE INCOME</b>		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		390,814	232,376

The notes form part of these financial statements

**Statement of Financial Position**  
**31 March 2019**

	Notes	2019 £	2018 as restated £
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Investment property	9	3,903,659	2,175,817
Investments	10	100	100
		<u>3,903,759</u>	<u>2,175,917</u>
<b>CURRENT ASSETS</b>			
Inventories	11	4,293	-
Trade and other receivables	12	10,739	14,286
Cash and cash equivalents	13	130,812	119,865
		<u>145,844</u>	<u>134,151</u>
<b>TOTAL ASSETS</b>		<u><u>4,049,603</u></u>	<u><u>2,310,068</u></u>
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	14	100	100
Other reserves	15	749,054	262,634
Retained earnings	15	(253,288)	(157,682)
<b>TOTAL EQUITY</b>		<u>495,866</u>	<u>105,052</u>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	16	3,220,743	1,993,376
Deferred tax	18	103,268	22,651
		<u>3,324,011</u>	<u>2,016,027</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	229,726	188,989
<b>TOTAL LIABILITIES</b>		<u>3,553,737</u>	<u>2,205,016</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>4,049,603</u></u>	<u><u>2,310,068</u></u>

The financial statements were approved by the Board of Directors on 12 July 2019 and were signed on its behalf by:



.....  
C D Gerrish - Director



.....  
T Richens - Director

**Aequus Developments Limited**

**Statement of Changes in Equity**  
**for the Year Ended 31 March 2019**

	Called up share capital £	Retained earnings £	Other reserves £	Total equity £
<b>Balance at 1 April 2017</b>	100	(127,424)	-	(127,324)
<b>Changes in equity</b>				
Total comprehensive income	-	232,376	-	232,376
Transfer to non distributable reserve	-	(262,634)	262,634	-
<b>Balance at 31 March 2018</b>	100	(157,682)	262,634	105,052
<b>Changes in equity</b>				
Total comprehensive income	-	390,814	-	390,814
Transfer to non distributable reserve	-	(486,420)	486,420	-
<b>Balance at 31 March 2019</b>	100	(253,288)	749,054	495,866



**Aequus Developments Limited**

**Statement of Cash Flows**  
**for the Year Ended 31 March 2019**

		2019	2018
	Notes	£	as restated £
<b>Cash flows from operating activities</b>			
Cash generated from operations	22	36,847	(24,470)
Interest paid		(46,928)	(32,241)
Net cash from operating activities		(10,081)	(56,711)
<b>Cash flows from investing activities</b>			
Purchase of fixed asset investments		-	(100)
Purchase of investment property		(1,269,790)	(545,000)
Net cash from investing activities		(1,269,790)	(545,100)
<b>Cash flows from financing activities</b>			
New loans in year		1,318,891	645,000
Loan repayments in year		(28,073)	(17,792)
Net cash from financing activities		1,290,818	627,208
<b>Increase in cash and cash equivalents</b>		10,947	25,397
<b>Cash and cash equivalents at beginning of year</b>	23	119,865	94,468
<b>Cash and cash equivalents at end of year</b>	23	130,812	119,865

The notes form part of these financial statements

**1. STATUTORY INFORMATION**

Aequus Developments Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

**2. ACCOUNTING POLICIES**

**Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, except for investment property which have been measured at fair value.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

For 2019, based on their assessment of the company's financial position, future performance, liquidity and risks, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least the next twelve months. Thus the company adopts the going concern basis of preparation for the financial statements.

**Revenue recognition**

Under the condition that persuasive evidence of an arrangement exists, revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured, regardless of when the payment is being made. In cases where the inflow of economic benefits is not probable due to customer related credit risks the revenue recognised is subject to the amount of payments irrevocably received. Revenue is measured at the fair value of the consideration received or receivable net of discounts and rebates and excluding taxes or duty.

The specific recognition criteria described below must also be met before income is recognised.

**Rental income**

The company is a lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and is included within revenue in the income statement due to its operating nature, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the term of the lease on the same basis as income.

**Tenant lease incentives**

Tenant lease incentives are recognised as a reduction of rental revenue on a straight term basis over the term of the lease. The lease term is the non cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the directors are reasonably certain that the tenant will exercise that option.

Amounts received from tenants to terminate leases or to compensate for dilapidation are recognised in the income statement when the right to receive them arises.

**Service charges, management charges and other expenses recoverable from tenants**

Income arising from expenses recharged to tenants is recognised in the period in which the compensation becomes receivable. Service and management charges and other such receipts are included in rental income gross of related costs, as the directors consider that the company acts as a principal in this respect.

**Tenant deposits**

Tenant deposit liabilities are initially recognised at fair value and subsequently measured at amortised cost where material. Any difference between the initial fair value and the nominal amount is included as a component of operating lease income and recognised on a straight line basis over the lease term.

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 March 2019**

**2. ACCOUNTING POLICIES - continued**

**Investment property**

Investment property comprises completed property and property under construction or re-development that is held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when it is held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.

Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value. Fair value is determined by management on an annual basis using a recognised valuation method. Every five years the investment properties are valued by professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued.

Gains or losses arising from changes in the fair values are included in the income statement in the year in which they arise, including the corresponding tax effect. For the purposes of these financial statements, in order to avoid double accounting, the assessed carrying value is:

- a) Reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments.
- b) Increased by the carrying amount of any liability to the superior leaseholder or freeholder that has been recognised in the statement of financial position as a finance lease obligation.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset would result in either gains or losses at the retirement or disposal of investment property. Any gains or losses are recognised in the income statement in the year of retirement or disposal.

Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset in the previous full period's financial statements.

**Investments in subsidiaries**

Investments in subsidiary undertakings are recognised at cost.

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 March 2019**

**2. ACCOUNTING POLICIES - continued**

**Financial instruments**

**Borrowings**

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

**Cash and cash equivalents**

The company considers all highly liquid investments with less than three months maturity from the date of acquisition to be cash equivalents. Cash and cash equivalents are measured at cost.

**Financial assets**

**Classification:**

From 1 April 2018, the company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. The company reclassifies debt investments when and only when its business model for managing those assets changes.

**Recognition and derecognition:**

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

**Measurement:**

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

**Impairment:**

From 1 April 2018, the company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

**Trade and other payables**

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

**Accounting policies applied until 31 March 2018**

The company has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy.

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 March 2019**

**2. ACCOUNTING POLICIES - continued**

**Inventories**

Inventories are initially stated at cost or at the fair value at acquisition date and then held at the lower of this initial amount and net realisable value. Costs comprise direct materials and, where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Land is recognised in inventory when the significant risks and rewards of ownership have been transferred to the company.

**Taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country in which the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority and there is an intention to settle the balances on a net basis.

**Provisions**

A provision is recognised in the Statement of Financial Position when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are recognised at present value by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. When a contract becomes onerous, the present obligation under the contract is recognised as a provision and measured at the lower of the expected cost of fulfilling the contract and the expected cost of terminating the contract as far as they exceed the expected economic benefits of the contract. Additions to provisions and reversals are generally recognised in the Statement of Income. The present value of recognised obligations associated with the retirement of property, plant and equipment (asset retirement obligations) that result from the acquisition, construction, development and normal use of an asset is added to the carrying amount of the related asset. The additional carrying amount is depreciated over the life of the related asset. Additions to and reductions from the present value of asset retirement obligations that result from changes in estimates are generally recognised by adjusting the carrying amount of the related asset and provision. If the asset retirement obligation is settled for other than the carrying amount of the liability, the company recognises a gain or loss on settlement.

**Borrowing costs**

The company pays or receives interest on some of its intercompany loan balances. These are recognised within interest in the Statement of Income when incurred or receivable. All costs directly attributable to the cost of a qualifying asset are capitalised.

**Hire purchase and leasing commitments**

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 March 2019**

**2. ACCOUNTING POLICIES - continued**

**Management estimates and judgements**

Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgement and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change.

Valuation of property - The fair value of investment property is determined by real estate valuation experts using recognised valuation techniques and the principles of IFRS 13.

**New and amended standards effective for the period ended 31 March 2019**

The accounting policies adopted are consistent with those applied since incorporation except for the following new and amended IFRSs that impact the company. The nature and impact of each new standard and amendments are described below:

**IFRS 9 (2014) - Financial Instruments**

IFRS 9 Financial Instruments issued on 24 July 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The IASB completed its project to replace IAS 39 in phases, adding to the standard as it completed each phase.

The version of IFRS 9 issued in 2014 supersedes all previous versions and is mandatorily effective for periods beginning on or after 1 January 2018 with early adoption permitted (subject to local endorsement requirements).

IFRS 9 will impact the company by the classification, measurement, impairment and de-recognition of financial instruments.

**IFRS 15 - Revenue from contracts with customers**

IFRS 15, effective for years beginning after 1 January 2018, replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers. It also provides a model for the recognition and measurement of disposal of certain non-financial assets including property, equipment and intangible assets. The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 March 2019**

**2. ACCOUNTING POLICIES - continued**

**New standards and interpretations not yet adopted:**

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended 31 March 2019, and have not been applied in preparing these financial statements. Those standards that have relevance to the company are mentioned below:

**Annual Improvements 2015 - 2017 cycle**

In December 2017, the IASB published Annual Improvements to IFRS Standards 2015–2017 Cycle, containing the following amendments to IFRSs:

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements. The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. IAS 12 Income Taxes. The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits. IAS 23 Borrowing Costs. The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. Amendments are effective for annual periods beginning on or after 1 January 2019.

**IFRS 16 Leases**

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. Effective to annual reporting periods beginning on or after 1 January 2019.

The effect on the company will be that on the statement of financial position, a right of use asset and a corresponding lease liability must be recognised for both operating and finance leases. In the income statement, any existing operating lease charge which is currently recognised within operating profit will be replaced by a depreciation charge in respect of the right to use the asset, and an interest cost in relation to the lease liability.

**3. REVENUE**

**Segmental reporting**

All revenue was generated within the United Kingdom.

**Revenue from contracts with customers**

The company derives revenue from the transfer of services over time from the rental of properties mainly to residential tenants.

**4. EMPLOYEES AND DIRECTORS**

There were no staff costs for the year ended 31 March 2019 nor for the year ended 31 March 2018.

The average number of employees during the year was as follows:

	2019	2018 as restated
Directors	6	7
	<hr/>	<hr/>
	2019	2018 as restated
	£	£
Directors' remuneration	-	-
	<hr/>	<hr/>

Non executive directors were paid £3,000 by BANES and recharged to Aequus Developments Limited

**Aequus Developments Limited**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 March 2019**

**5. NET FINANCE COSTS**

	2019	2018 as restated
	£	£
Finance costs:		
Other loan interest	46,928	32,241
	<u>46,928</u>	<u>32,241</u>

**6. PROFIT BEFORE TAXATION**

The profit before taxation is stated after charging:

	2019	2018 as restated
	£	£
Cost of inventories recognised as expense	91,723	37,421
Other operating leases	3,000	3,000
Auditors' remuneration	12,345	8,825
Auditors' remuneration for non audit work	2,838	4,116
	<u>110,906</u>	<u>53,362</u>

Breakdown of expenses by nature:

	31.03.2019	31.03.2018
	£	£
Establishment costs	1,407	946
Administrative expenses	83,517	178,677
Finance costs	2,302	1,040
	<u>87,226</u>	<u>180,663</u>

Total administrative expenses

**7. TAXATION**

**Analysis of tax expense**

	2019	2018 as restated
	£	£
Deferred tax	80,617	51,042
	<u>80,617</u>	<u>51,042</u>
Total tax expense in statement of profit or loss and other comprehensive income	80,617	51,042

The deferred tax expenditure in 2019 relates to the origination and reversal of temporary differences.

For the year ended 31 March 2019 the company was subject to UK corporation tax at a rate of 19%. For future years the company will be subject to corporation tax at 17%.

**8. PRIOR YEAR ADJUSTMENT**

During the year, the Directors have taken the view that certain property expenses should more properly be reflected as part of cost of sales rather than administrative expenses. The 2018 figures have been amended accordingly. This has had no effect on the net profit or the balance sheet of the prior year figures.



**Aequus Developments Limited**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 March 2019**

**9. INVESTMENT PROPERTY**

	Total £
<b>FAIR VALUE</b>	
At 1 April 2018	2,175,817
Additions	1,269,790
Revaluations	458,052
	<hr/>
At 31 March 2019	3,903,659
	<hr/>
<b>NET BOOK VALUE</b>	
At 31 March 2019	3,903,659
	<hr/>
At 31 March 2018	2,175,817
	<hr/>
Fair value at 31 March 2019 is represented by:	
	£
Valuation in 2018	280,524
Valuation in 2019	458,052
Cost	3,165,083
	<hr/>
	3,903,659
	<hr/>

**10. INVESTMENTS**

	Shares in group undertakings £
<b>COST</b>	
At 1 April 2018 and 31 March 2019	100
	<hr/>
<b>NET BOOK VALUE</b>	
At 31 March 2019	100
	<hr/>
At 31 March 2018	100
	<hr/>

The company's investments at the Statement of Financial Position date in the share capital of companies include the following:

**Aequus Construction Limited**

Registered office: 20 Old Bond Street, Bath, England, BA1 1BP

Nature of business: Property development

	%		
Class of shares:	holding	2019	2018
Ordinary	100.00	£	£
Aggregate capital and reserves		(516,255)	(138,832)
Loss for the year		(377,423)	(138,932)
		<hr/>	<hr/>

**11. INVENTORIES**

	2019	2018 as restated
	£	£
Stocks	4,293	-
	<hr/>	<hr/>

**Aequus Developments Limited**

**Notes to the Financial Statements - continued  
for the Year Ended 31 March 2019**

**12. TRADE AND OTHER RECEIVABLES**

	2019	2018 as restated
	£	£
Current:		
VAT	-	6,413
Prepayments and accrued income	10,739	7,873
	<u>10,739</u>	<u>14,286</u>

**13. CASH AND CASH EQUIVALENTS**

	2019	2018 as restated
	£	£
Bank accounts	<u>130,812</u>	<u>119,865</u>

**14. CALLED UP SHARE CAPITAL**

Number:	Class:	Nominal value:	2019	2018 as restated
			£	£
100	Ordinary	£1	<u>100</u>	<u>100</u>

**15. RESERVES**

	Retained earnings £	Other reserves £	Totals £
At 1 April 2018	(157,682)	262,634	104,952
Profit for the year	390,814		390,814
Transfer to non distributable reserve	<u>(486,420)</u>	<u>486,420</u>	<u>-</u>
At 31 March 2019	<u>(253,288)</u>	<u>749,054</u>	<u>495,766</u>

Other reserves - Non distributable retained earnings which represent gains on revaluations of investment property after deduction of deferred tax.

**16. TRADE AND OTHER PAYABLES**

	2019	2018 as restated
	£	£
Current:		
Trade creditors	4,200	271
Amounts owed to group undertakings	141,705	149,047
Other creditors	-	19,263
Accruals and deferred income	83,788	20,408
VAT	33	-
	<u>229,726</u>	<u>188,989</u>
Non-current:		
Amounts owed to group undertakings	<u>3,220,743</u>	<u>1,993,376</u>
Aggregate amounts	<u>3,450,469</u>	<u>2,182,365</u>

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 March 2019**

**17. FINANCIAL INSTRUMENTS**

This section gives a comprehensive overview of the significance of financial instruments for the company and provides additional information on Statement of Financial Position items that contain financial instruments. The following table presents the carrying amounts of each category of financial assets and liabilities:

	31 March 2019 £	31 March 2018
<b>Financial assets</b>		
Loans and receivables	10,739	14,286
Cash and cash equivalents	130,812	119,865
	<hr/> 141,551	<hr/> 134,151
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	3,450,469	2,182,365
	<hr/> 3,450,469	<hr/> 2,182,365

The following table presents the fair values and carrying amounts of financial assets and liabilities measured at cost or amortised cost:

	Fair value £	31 March 2019 Carrying value £	Fair Value £	31 March 2018 Carrying Value £
<b>Financial assets measured at cost or amortised cost</b>				
Cash and cash equivalents	130,812	130,812	119,865	119,865
Other current financial assets	10,739	10,739	14,286	14,286
	<hr/> 141,551	<hr/> 141,551	<hr/> 134,151	<hr/> 134,151
<b>Financial liabilities measured at cost or amortised cost</b>				
Trade payables	4,200	4,200	271	271
Other current financial liabilities	225,526	225,526	118,718	188,718
Non current financial liabilities	3,220,743	3,220,743	1,993,376	1,993,376
	<hr/> 3,450,469	<hr/> 3,450,469	<hr/> 2,182,365	<hr/> 2,182,365

All financial assets and liabilities are measured at amortised cost.

The fair values of cash and cash equivalents, current receivables, other current financial assets, other assets, trade payables and other current financial liabilities and other liabilities approximate their carrying amount largely due to the short-term maturities of these instruments.

There are no financial assets and liabilities measured at fair value.

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 March 2019**

**FINANCIAL RISK MANAGEMENT**

Exposure to foreign currency, credit, liquidity and cash flow interest rate risks arises in the normal course of the company's business. These risks are limited by the company's financial management policies and practices described below.

**Foreign currency risk**

The company has limited exposure to foreign currency risk. Substantially all of the company's sales and purchases are denominated in sterling.

**Credit risk and market risk**

The company is at risk from its customers defaulting in making payments for services that have been supplied to them or from properties let out to them on long term leases. The majority of the company's customers are based within the real estate market and therefore industry related changes or economic changes in the housing market present a risk to the company as opposed to credit risks.

**Liquidity risk**

Liquidity risk results from the company's potential inability to meet its financial liabilities, e.g. settlement of its financial debt, paying its suppliers and settling finance lease obligations. Beyond effective net working capital and cash management, the company mitigates liquidity risk by arranging borrowing facilities with its major shareholder BANES.

**Cash flow interest rate risk**

The company is exposed to interest rate risk through the impact of rate changes on interest-bearing borrowings. The company's policy is to obtain the most favourable interest rates available for its borrowings.

The company does not use any derivative instruments to reduce its economic exposure to changes in interest rates.

**Equity price risk**

The company does not hold investments in publicly traded companies. No equity price risk is therefore foreseen for the company.

The following table reflects all contractually fixed undiscounted pay-offs for settlement, repayments and interest resulting from recognised financial liabilities.

	2020	2021	2022 to 2024	2025 and thereafter
	£	£	£	£
Non derivative financial liabilities	229,709	137,621	217,672	2,865,450
Trade payables	4,199	-	-	-
Other financial liabilities	225,510	137,621	217,672	2,865,450

The company does not have any derivative financial liabilities.

Cash outflows for financial liabilities without fixed amount or timing, including interest, are based on the conditions existing at 31 March 2019.

Trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital - e.g. trade receivables. These assets are considered in the company's overall liquidity risk.

**Aequus Developments Limited**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 March 2019**

The following table reflects the calculation of the company's net liquidity:

	31 March 2019	31 March 2018
	£	
Cash and cash equivalents	130,812	119,865
Receivables from group companies	-	-
Total liquidity	130,812	119,865
Short term debt and current maturities of long term debt	88,021	39,942
Amounts due to group companies	141,705	149,047
Long term debt	3,220,743	1,993,376
Total debt	(3,450,469)	2,182,365
Net liquidity	(3,319,657)	(2,062,500)

**Capital management**

The company defines its capital structure as net debt and equity. The primary objective of the company's capital management is to ensure that it makes optimal use of the working capital generated from its trading profits. The company's management focus is on generating positive cash flow from operations and maintaining a positive relationship of the company's current assets and current liabilities.

**18. DEFERRED TAX**

	2019	2018 as restated
	£	£
Balance at 1 April	22,651	(28,391)
Change in rate of tax	-	2,989
Movement	2,748	364
Revaluation gain	77,869	47,689
Balance at 31 March	103,268	22,651
<b>Liabilities:</b>		
Investment property	(125,559)	(47,689)
Provisions and tax losses	22,291	25,038
Deferred tax liability	(103,268)	(22,651)
<b>Total deferred tax liability</b>	<b>(103,268)</b>	<b>(22,651)</b>

**19. ULTIMATE PARENT COMPANY**

The ultimate parent undertaking is Bath and North East Somerset Council (BANES). BANES is the only group entity of which the company is a member for which group accounts are prepared. Copies of Group accounts are available at:

[www.bathnes.gov.uk/services/your-council-and-democracy/budgets-and-spending/annual-accounts](http://www.bathnes.gov.uk/services/your-council-and-democracy/budgets-and-spending/annual-accounts)

**Aequus Developments Limited**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 March 2019**

**20. RELATED PARTY DISCLOSURES**

Transactions and balances between the company and its parent company BANES are disclosed below:

	Year ended 31 March 2019	Year ended 31 March 2018
	£	£
Purchase of investment property	1,283,000	545,000
Purchase of external services provided	-	85,579
Other goods and services	38,099	14,026
Interest expense	48,747	33,222
Loan arrangement fees	1,819	945
Sales - Recharges	2,475	24,150

Year end balances arising from loans received from BANES amount to:

	Year ended 31 March 2019	Year ended 31 March 2018
	£	£
Loan payable to parent undertaking	3,308,262	2,017,443
Trade payables	50,550	124,980
Trade receivables	(525)	-

The loan payable to BANES is secured by a fixed and floating charge over the assets of the company. Interest is charged on the loans amounting to EU Base plus 1% or EU Base plus 4% depending on the purpose of the loan.

Transactions and balances between the company and its subsidiary Aequus Construction Limited are disclosed below:

	Year ended 31 March 2019	Year ended 31 March 2018
	£	£
Sales - Recharges	5,492	85,101
Purchases - Recharged	8,563	-
Purchases - Management Recharges	34,873	-

Year end balances arising from Aequus Construction Limited amount to:

	Year ended 31 March 2019	Year ended 31 March 2018
	£	£
Trade payables	4,161	-

**REMUNERATION OF KEY MANAGEMENT PERSONNEL**

The remuneration of directors and other members of key management during the year was as follows:

	2019	2018
	£	£
Seconded officer costs	17,928	38,319

These costs were paid to the members of key management and non executive directors by BANES and recharged to Aequus Developments Limited.

**21. EVENTS AFTER THE REPORTING PERIOD**

There were no significant events after the reporting period.

**Aequus Developments Limited**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 March 2019**

**22. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	2019	2018 as restated
	£	£
Profit before taxation	471,431	283,418
Gain on revaluation of fixed assets	(458,052)	(280,524)
Movement in group trade payables	(70,793)	(54,480)
Finance costs	46,928	32,241
	<hr/>	<hr/>
Increase in inventories	(10,486)	(19,345)
Decrease in trade and other receivables	(4,293)	-
Decrease in trade and other receivables	3,547	5,359
Increase/(decrease) in trade and other payables	48,079	(10,484)
	<hr/>	<hr/>
<b>Cash generated from operations</b>	<b>36,847</b>	<b>(24,470)</b>
	<hr/>	<hr/>

**23. CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

**Year ended 31 March 2019**

	31.3.19	1.4.18
	£	£
Cash and cash equivalents	130,812	119,865
	<hr/>	<hr/>

**Year ended 31 March 2018**

	31.3.18	1.4.17
	as restated	
	£	£
Cash and cash equivalents	119,865	94,468
	<hr/>	<hr/>

**24. DISTRIBUTABLE RESERVES**

A deficit balance of £136,036 is included within the overall deficit balance on retained earnings, which represents provisions against property values. Were the balance on retained earnings to be in credit, this element would therefore remain non-distributable.

**Aequus Developments Limited**  
**Income Statement Summaries**  
**for the Year Ended 31 March 2019**

	2019	2018 as restated
	£	£
<b>REVENUE</b>		
Rental Income	238,731	143,568
Management fees	525	109,651
	<u>239,256</u>	<u>253,219</u>
<b>COST OF SALES</b>		
Purchases	25,786	-
Property expenses	28,932	24,550
Letting agent fees	18,515	11,627
Property insurance	1,286	1,244
Other direct costs	17,204	-
	<u>91,723</u>	<u>37,421</u>
<b>GAIN/LOSS ON REVALUATION OF ASSETS</b>		
Gain/loss on revaluation of investment property	458,052	280,524
	<u>458,052</u>	<u>280,524</u>
<b>ADMINISTRATIVE EXPENSES</b>		
<b>Establishment costs</b>		
Insurance	1,407	946
<b>Administrative expenses</b>		
Non Executive Directors fees	3,000	3,000
External services provided	47,608	85,854
Post and stationery	29	-
Repairs and renewals	2,539	1,625
Sundry expenses	8,237	298
Legal fees	4,033	46,459
Consultant costs	2,888	28,500
Auditors' remuneration	12,345	8,825
Auditors' remuneration for non audit work	2,838	4,116
<b>Finance costs</b>		
Bank charges	483	95
Loan arrangement fees	1,819	945
	<u>87,226</u>	<u>180,663</u>
<b>FINANCE COSTS</b>		
Other loan interest	46,928	32,241
	<u>46,928</u>	<u>32,241</u>



**Report of the Directors and**  
**Financial Statements**  
**for the Year Ended 31 March 2019**  
**for**  
**Aequus Construction Limited**

**Aequus Construction Limited**

**Contents of the Financial Statements**  
**for the Year Ended 31 March 2019**

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**Aequus Construction Limited**  
**Company Information**  
**for the Year Ended 31 March 2019**

**DIRECTORS:**

D P E Quilter  
T Richens

**REGISTERED OFFICE:**

20 Old Bond Street  
Bath  
BA1 5BP

**REGISTERED NUMBER:**

10832066 (England and Wales)

## **Aequus Construction Limited**

### **Report of the Directors** **for the Year Ended 31 March 2019**

The directors present their report with the financial statements of the company for the year ended 31 March 2019.

#### **PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of property development and construction.

#### **REVIEW OF BUSINESS**

It gives us great pleasure to present this Annual Report to the shareholder, showing the continued progress of the company.

ACL is as a wholly owned subsidiary of Aequus Developments Limited (ADL), established to deliver the construction and development of sites for Bath & North East Somerset Council (the Council).

The separation of ADL and ACL allows them to focus on their differing businesses, taking advantage of the different areas of expertise of management and professional advisors, together with separating the risks associated with the specific areas of operation.

#### **Operational progress**

During the year, the first ACL project; Riverside View, Keynsham, saw considerable progress with delivery of the project which will provide 95 apartments through renovation of the former Council office building.

The shell and core works were almost complete by the end of March 19; the contractors for the fit-out have been appointed and since the year end have started on site. A soft market launch took place in early spring 2019 allowing buyers to purchase off-plan.

In the meantime, ACL continues to work with the Council to bring forward further development sites during 2019/20 and is also working on potential Joint Ventures with other local public bodies.

This development pipeline of sites from the Council is the key priority for the sustainability of the business and work is ongoing to formalise the transfer of identified sites.

The executive team has demonstrated their capacity for innovation, proactively seeking opportunities both within and outside the Bath and North East Somerset area, looking at options for market purchase and development, together with working in partnership with other public bodies.

Some of this innovation will lead to tangible opportunities for development sites to support the pipeline which will bring further confidence for future years and sustainable returns to the shareholder.

Financial performance in total shows that £268k has been returned to the Council, £43k of management charges, together with interest and arrangement payments on loans to a total of £224k.

The Council target for revenue returns from ADL and ACL is £450k for 2018/19 increasing to £730k in 2019/20 and £1m thereafter. This will be met by anticipated interest returns, and potential dividend payments.

The ability of ADL and ACL to meet this target is largely dependent on the development pipeline; at this point we are encouraged by the performance of our existing developments and the work to secure this pipeline from the Council which, gives us confidence for the future.

We will continue to focus on the objectives set for the company by our Shareholder.

- Deliver financial returns to support the Council's frontline services
- Bring forward sites quickly for delivery and not land banking,
- Promote low energy homes
- Deliver sustainable developments
- Work with the local housing teams to deliver schemes that meet identified local needs.

#### **EVENTS SINCE THE END OF THE YEAR**

Information relating to events since the end of the year is given in the notes to the financial statements.

#### **DIRECTORS**

The directors shown below have held office during the whole of the period from 1 April 2018 to the date of this report.

D P E Quilter  
T Richens

Other changes in directors holding office are as follows:

M Shields - resigned 30 April 2018

**Aequus Construction Limited**

**Report of the Directors**  
**for the Year Ended 31 March 2019**

**FINANCIAL INSTRUMENTS**

Aequus Construction's financial risk management objectives and policies, including exposure to market risk, credit risk and liquidity risk are set out in note 14 to the financial statements.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**AUDITORS**

The auditors, MHA Monahans, will be proposed for re-appointment at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

**ON BEHALF OF THE BOARD:**



.....  
T Richens - Director

Date: .....12/7/19.....

**Report of the Independent Auditors to the Members of**  
**Aequus Construction Limited**

**Opinion**

We have audited the financial statements of Aequus Construction Limited (the 'company') for the year ended 31 March 2019 which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other information**

The directors are responsible for the other information. The other information comprises the information in the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Directors has been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Directors.

**Report of the Independent Auditors to the Members of**  
**Aequus Construction Limited**

**Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page three, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

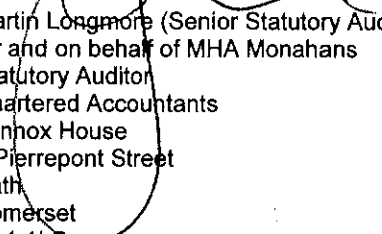
**Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

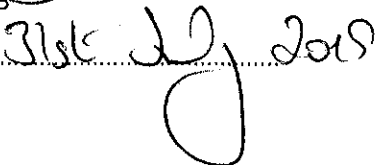
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the Auditors.

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

  
Martin Longmore (Senior Statutory Auditor)  
for and on behalf of MHA Monahans  
Statutory Auditor  
Chartered Accountants  
Lennox House  
3 Pierrepont Street  
Bath  
Somerset  
BA1 1LB

Date: .....

  
31st July 2018

**Aequus Construction Limited**

**Statement of Profit or Loss and Other Comprehensive Income**  
**for the Year Ended 31 March 2019**

		Year Ended 31.3.19 £	Period 22.6.17 to 31.3.18 £
	Notes		
<b>CONTINUING OPERATIONS</b>			
Revenue	4	192,209	-
Cost of sales		(131,083)	-
<b>GROSS PROFIT</b>		61,126	-
Administrative expenses		(500,422)	(163,648)
<b>OPERATING LOSS</b>		(439,296)	(163,648)
Finance costs	6	(8,644)	(337)
Finance income	6	73	-
<b>LOSS BEFORE TAXATION</b>	7	(447,867)	(163,985)
Taxation	8	74,422	25,053
<b>LOSS FOR THE YEAR</b>		(373,445)	(138,932)
<b>OTHER COMPREHENSIVE INCOME</b>		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>(373,445)</u>	<u>(138,932)</u>

The notes form part of these financial statements



**Statement of Financial Position**  
**31 March 2019**

	Notes	2019 £	2018 £
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	19,879	-
Deferred tax	18	99,475	25,053
		<u>119,354</u>	<u>25,053</u>
<b>CURRENT ASSETS</b>			
Inventories	10	8,009,648	2,478,037
Trade and other receivables	11	137,311	117,396
Cash and cash equivalents	12	95,219	221,730
		<u>8,242,178</u>	<u>2,817,163</u>
<b>TOTAL ASSETS</b>		<u><u>8,361,532</u></u>	<u><u>2,842,216</u></u>
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	13	100	100
Retained earnings	14	(512,377)	(138,932)
<b>TOTAL EQUITY</b>		<u>(512,277)</u>	<u>(138,832)</u>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	15	8,154,876	2,470,000
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	718,933	511,048
<b>TOTAL LIABILITIES</b>		<u>8,873,809</u>	<u>2,981,048</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>8,361,532</u></u>	<u><u>2,842,216</u></u>

The financial statements were approved by the Board of Directors on .....12/7/19..... and were signed on its behalf by:



.....  
T Richens - Director

**Aequus Construction Limited**

**Statement of Changes in Equity**  
**for the Year Ended 31 March 2019**

	Called up share capital £	Retained earnings £	Total equity £
<b>Changes in equity</b>			
Total comprehensive income	-	(138,932)	(138,932)
Issue of share capital	100	-	100
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 March 2018</b>	100	(138,932)	(138,832)
	<hr/>	<hr/>	<hr/>
<b>Changes in equity</b>			
Total comprehensive income	-	(373,445)	(373,445)
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 March 2019</b>	100	(512,377)	(512,277)
	<hr/>	<hr/>	<hr/>

**Aequus Construction Limited**

**Statement of Cash Flows**  
**for the Year Ended 31 March 2019**

		Year Ended 31.3.19 £	Period 22.6.17 to 31.3.18 £
<b>Cash flows from operating activities</b>	<b>Notes</b>		
Cash generated from operations	23	(5,772,997)	(2,248,033)
Interest paid		(8,644)	(337)
Net cash from operating activities		<u>(5,781,641)</u>	<u>(2,248,370)</u>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(29,819)	-
Interest received		73	-
Net cash from investing activities		<u>(29,746)</u>	<u>-</u>
<b>Cash flows from financing activities</b>			
Loans from group undertakings		5,684,876	2,470,000
Share issue		-	100
Net cash from financing activities		<u>5,684,876</u>	<u>2,470,100</u>
<b>(Decrease)/increase in cash and cash equivalents</b>		<u>(126,511)</u>	<u>221,730</u>
<b>Cash and cash equivalents at beginning of year</b>	<b>24</b>	221,730	-
<b>Cash and cash equivalents at end of year</b>	<b>24</b>	<u>95,219</u>	<u>221,730</u>

The notes form part of these financial statements

**Aequus Construction Limited**

**Notes to the Financial Statements**  
**for the Year Ended 31 March 2019**

**1. STATUTORY INFORMATION**

Aequus Construction Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

**2. ACCOUNTING POLICIES**

**Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

For 2019, based on their assessment of the company's financial position, future performance, liquidity and risks, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least the next twelve months. Thus the company adopts the going concern basis of preparation for the financial statements.

**Revenue recognition**

The company provides management services to group undertakings. Revenue from providing services is recognised in the accounting period in which the services are rendered.

**Property, plant and equipment**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Computer equipment - 33% on straight line basis

**Financial instruments**

**Borrowings**

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

**Cash and cash equivalents**

The company considers all highly liquid investments with less than three months maturity from the date of acquisition to be cash equivalents. Cash and cash equivalents are measured at cost.

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 March 2019**

**2. ACCOUNTING POLICIES - continued**

**Financial assets**

**Classification:**

From 1 April 2018, the company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. The company reclassifies debt investments when and only when its business model for managing those assets changes.

**Recognition and derecognition:**

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

**Measurement:**

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

**Impairment:**

From 1 April 2018, the company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

**Trade receivables**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are due for settlement within one year and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

**Trade and other payables**

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

**Accounting policies applied until 31 March 2018**

The company has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy.

**Assets recognised from costs to fulfil a contract**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 March 2019**

**2. ACCOUNTING POLICIES - continued**

Assets are recognised in relation to costs incurred in developing assets that will be used to fulfil future contracts. Contract assets are initially stated at cost or at the fair value at acquisition date and then held at the lower of this initial amount and net realisable value. Costs comprise direct materials and, where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Land is recognised in inventory when the significant risks and rewards of ownership have been transferred to the company.

**Taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country in which the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority and there is an intention to settle the balances on a net basis.

**Hire purchase and leasing commitments**

Rentals payable under operating leases are charged to the income statement on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the term of the lease.

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 March 2019**

**2. ACCOUNTING POLICIES - continued**

**Borrowing costs**

Borrowing costs are recognised on an accruals basis and are payable on the company's borrowings. Also included in borrowing costs is the amortisation of fees associated with the arrangement of the financing.

**New and amended standards effective for the period ended 31 March 2019**

The accounting policies adopted are consistent with those applied since incorporation except for the following new and amended IFRSs that impact the company. The nature and impact of each new standard and amendments are described below:

**IFRS 9 (2014) - Financial Instruments**

IFRS 9 Financial Instruments issued on 24 July 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The IASB completed its project to replace IAS 39 in phases, adding to the standard as it completed each phase.

The version of IFRS 9 issued in 2014 supersedes all previous versions and is mandatorily effective for periods beginning on or after 1 January 2018 with early adoption permitted (subject to local endorsement requirements).

IFRS 9 will impact the company by the classification, measurement, impairment and de-recognition of financial instruments.

**IFRS 15 - Revenue from contracts with customers**

IFRS 15, effective for years beginning after 1 January 2018, replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers. It also provides a model for the recognition and measurement of disposal of certain non-financial assets including property, equipment and intangible assets. The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

**New standards and interpretations not yet adopted:**

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended 31 March 2019, and have not been applied in preparing these financial statements. Those standards that have relevance to the company are mentioned below:

**Notes to the Financial Statements - continued  
for the Year Ended 31 March 2019**

**2. ACCOUNTING POLICIES - continued**

**Annual Improvements 2015 - 2017 cycle**

In December 2017, the IASB published Annual Improvements to IFRS Standards 2015–2017 Cycle, containing the following amendments to IFRSs:

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements. The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. IAS 12 Income Taxes. The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits. IAS 23 Borrowing Costs. The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. Amendments are effective for annual periods beginning on or after 1 January 2019.

**IFRS 16 - Leases**

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. Effective to annual reporting periods beginning on or after 1 January 2019.

The effect on the company will be that on the statement of financial position, a right of use asset and a corresponding lease liability must be recognised for both operating and finance leases. In the income statement, any existing operating lease charge which is currently recognised within operating profit will be replaced by a depreciation charge in respect of the right to use the asset, and an interest cost in relation to the lease liability.

**3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

**Critical accounting judgements**

Management have not made any individual critical accounting judgements that are material to the company, apart from those estimations which are set out below.

**Key sources of estimation uncertainty**

Key sources of estimation uncertainty are those which present a significant risk of potential material misstatement to carrying amounts of assets or liabilities within the next financial year. There are no key sources of estimation uncertainty in the financial statements for the period ended 31 March 2019.

**4. REVENUE**

**Segmental reporting**

All revenue was generated in the United Kingdom.

**Revenue from contracts with customers**

There is no revenue from contracts with customers in the year ended 31 March 2019.

**5. EMPLOYEES AND DIRECTORS**

There were no staff costs for the year ended 31 March 2019 nor for the period ended 31 March 2018.

The average number of employees during the year was as follows:

	Year Ended 31.3.19	Period 22.6.17 to 31.3.18
Directors	<u>2</u>	<u>3</u>



**Aequus Construction Limited**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 March 2019**

**5. EMPLOYEES AND DIRECTORS - continued**

	Year Ended 31.3.19 £	Period 22.6.17 to 31.3.18 £
Directors' remuneration	<u>-</u>	<u>-</u>

**6. NET FINANCE COSTS**

	Year Ended 31.3.19 £	Period 22.6.17 to 31.3.18 £
Finance income:		
Deposit account interest	<u>73</u>	<u>-</u>
Finance costs:		
Loan interest	<u>8,644</u>	<u>337</u>
Net finance costs	<u>8,571</u>	<u>337</u>

**7. LOSS BEFORE TAXATION**

Breakdown of expenses by nature:

	31.03.2019 £	31.03.2018 £
Establishment costs	33,571	1,655
Administrative expenses	466,391	161,843
Finance costs	<u>460</u>	<u>150</u>
Total administrative expenses	<u>500,422</u>	<u>163,648</u>

**8. TAXATION**

**Analysis of tax income**

	Year Ended 31.3.19 £	Period 22.6.17 to 31.3.18 £
Deferred tax	<u>(74,422)</u>	<u>(25,053)</u>
Total tax income in statement of profit or loss and other comprehensive income	<u>(74,422)</u>	<u>(25,053)</u>

The deferred tax income in 2019 relates to the origination and reversal of temporary differences.

For the year ended 31 March 2019 the company was subject to UK corporation tax at a rate of 19%. For future years the company will be subject to corporation tax at 17%.

**Aequus Construction Limited**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 March 2019**

**9. PROPERTY, PLANT AND EQUIPMENT**

	Computer equipment £
<b>COST</b>	
Additions	29,819
At 31 March 2019	<u>29,819</u>
<b>DEPRECIATION</b>	
Charge for year	9,940
At 31 March 2019	<u>9,940</u>
<b>NET BOOK VALUE</b>	
At 31 March 2019	<u><u>19,879</u></u>

**10. INVENTORIES**

	2019 £	2018 £
Asset recognised from costs incurred to fulfil a contract	<u>8,009,648</u>	<u>2,478,037</u>

**11. TRADE AND OTHER RECEIVABLES**

	2019 £	2018 £
Current:		
Trade debtors	1,320	-
Amounts owed by group undertakings	4,161	-
Other debtors	6,625	-
VAT	95,234	54,591
Prepayments and accrued income	29,971	62,805
	<u>137,311</u>	<u>117,396</u>

**12. CASH AND CASH EQUIVALENTS**

	2019 £	2018 £
Bank accounts	<u>95,219</u>	<u>221,730</u>

**13. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2019 £	2018 £
100	Ordinary	£1	<u>100</u>	<u>100</u>

On incorporation 100 £1 ordinary shares were issued at par.

**Aequus Construction Limited**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 March 2019**

**14. RESERVES**

	Retained earnings £
At 1 April 2018	(138,932)
Deficit for the year	(373,445)
At 31 March 2019	<u>(512,377)</u>

**15. TRADE AND OTHER PAYABLES**

	2019 £	2018 £
Current:		
Trade creditors	39,451	136,259
Amounts owed to group undertakings	52,844	326,362
Accruals and deferred income	626,638	48,427
	<u>718,933</u>	<u>511,048</u>
Non-current:		
Amounts owed to group undertakings	<u>8,154,876</u>	<u>2,470,000</u>
Aggregate amounts	<u>8,873,809</u>	<u>2,981,048</u>

**16. LEASING AGREEMENTS**

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2019 £	2018 £
Within one year	4,989	-
Between one and five years	9,563	-
	<u>14,552</u>	<u>-</u>

**Aequus Construction Limited**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 March 2019**

**17. FINANCIAL INSTRUMENTS**

This section gives a comprehensive overview of the significance of financial instruments for the company and provides additional information on Statement of Financial Position items that contain financial instruments. The following table presents the carrying amounts of each category of financial assets and liabilities:

	31 March 2019 £	31 March 2018 £
<b>Financial assets</b>		
Loans and receivables	137,311	117,396
Cash and cash equivalents	95,219	221,730
	<hr/> 232,530	<hr/> 339,126
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	8,873,809	2,981,048
	<hr/> 8,873,809	<hr/> 2,981,048

The following table presents the fair values and carrying amounts of financial assets and liabilities measured at cost or amortised cost:

	31 March 2019 Fair value £	31 March 2019 Carrying value £	31 March 2018 Fair value £	31 March 2018 Carrying value £
<b>Financial assets measured at cost or amortised cost</b>				
Cash and cash equivalents	95,219	95,219	221,730	221,730
Other current financial assets	137,311	137,311	117,396	117,396
	<hr/> 232,530	<hr/> 232,530	<hr/> 339,126	<hr/> 339,126
<b>Financial liabilities measured at cost or amortised cost</b>				
Trade payables	39,451	39,452	136,259	136,259
Other current financial liabilities	679,482	679,482	374,789	374,789
Non current financial liabilities	8,154,876	8,154,876	2,470,000	2,470,000
	<hr/> 8,873,809	<hr/> 8,873,809	<hr/> 2,981,048	<hr/> 2,981,048

All financial assets and liabilities are measured at amortised cost.

The fair values of cash and cash equivalents, current receivables, other current financial assets, other assets, trade payables and other current financial liabilities and other liabilities approximate their carrying amount largely due to the short-term maturities of these instruments.

There are no financial assets and liabilities measured at fair value.

**Notes to the Financial Statements - continued  
for the Year Ended 31 March 2019**

**FINANCIAL RISK MANAGEMENT**

Exposure to foreign currency, credit, liquidity and cash flow interest rate risks arises in the normal course of the company's business. These risks are limited by the company's financial management policies and practices described below.

**Foreign currency risk**

The company has limited exposure to foreign currency risk. Substantially all of the company's purchases are denominated in sterling.

**Credit risk and market risk**

The majority of the company's customers are based within the real estate market and therefore industry related changes or economic changes in the housing market present a risk to the company as opposed to credit risks.

**Liquidity risk**

Liquidity risk results from the company's potential inability to meet its financial liabilities, e.g. settlement of its financial debt, paying its suppliers and settling finance lease obligations. Beyond effective net working capital and cash management, the company mitigates liquidity risk by arranging borrowing facilities with its parent company BANES.

**Cash flow interest rate risk**

The company is exposed to interest rate risk through the impact of rate changes on interest-bearing borrowings. The company's policy is to obtain the most favourable interest rates available for its borrowings.

The company does not use any derivative instruments to reduce its economic exposure to changes in interest rates.

**Equity price risk**

The company does not hold investments in publicly traded companies. No equity price risk is therefore foreseen for the company.

The following table reflects all contractually fixed undiscounted pay-offs for settlement, repayments and interest resulting from recognised financial liabilities.

	2020 £	2021 £	2022 to 2024 £	2025 and thereafter £
Non derivative financial liabilities	718,932	2,470,000	5,684,876	-
Trade payables	39,450	-	-	-
Other financial liabilities	679,482	2,470,000	5,684,876	-

(i) There are no derivative financial liabilities.

(ii) Cash outflows for financial liabilities without fixed amount or timing, including interest, are based on the conditions existing at 31 March 2019.

(iii) Trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital - e.g. trade receivables. These assets are considered in the company's overall liquidity risk.

**Aequus Construction Limited**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 March 2019**

The following table reflects the calculation of the company's net liquidity:

	31 March 2019 £	31 March 2018 £
Cash and cash equivalents	95,219	221,730
Receivables from group companies	-	-
<b>Total liquidity</b>	<b>95,219</b>	<b>221,730</b>
Short term debt and current maturities of long term debt	666,089	184,686
Amounts due to group companies	52,844	326,362
Long term debt	8,154,876	2,470,000
<b>Total debt</b>	<b>8,873,809</b>	<b>2,981,048</b>
<b>Net liquidity</b>	<b>(8,778,590)</b>	<b>(2,759,318)</b>

**Capital management**

The company defines its capital structure as net debt and equity. The primary objective of the company's capital management is to ensure that it makes optimal use of the working capital generated from its trading profits. The company's management focus is on generating positive cash flow from operations and maintaining a positive relationship of the company's current assets and current liabilities.

**18. DEFERRED TAX**

	2019 £	2018 £
Balance at 1 April	(25,053)	-
Income statement	(74,422)	(25,053)
<b>Balance at 31 March</b>	<b>(99,475)</b>	<b>(25,053)</b>

Deferred tax assets are measured at the tax rates that are expected to apply in the period when the asset is realised, based on tax rates that have been enacted or substantively enacted at the statement of financial position date.

	Year ended 31 Mar 2019	Year ended 31 Mar 2018
<b>Assets:</b>		
Property, plant and equipment	-	-
Provisions and tax losses	99,475	25,053
<b>Deferred tax asset</b>	<b>99,475</b>	<b>25,053</b>
<b>Liabilities:</b>		
Property, plant and equipment	-	-
Provisions and tax losses	-	-
<b>Deferred tax liability</b>	<b>-</b>	<b>-</b>
<b>Total deferred tax assets, net</b>	<b>99,475</b>	<b>25,053</b>

Management considers to what extent it is probable that the deferred tax assets will be realised. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax loss carry forwards become deductible.

**19. ULTIMATE PARENT COMPANY**

The ultimate parent undertaking is Bath and North East Somerset Council (BANES). BANES is the only group entity of which the company is a member for which group accounts are prepared. Copies of Group accounts are available at:

[www.bathnes.gov.uk/services/your-council-and-democracy/budgets-and-spending/annual-accounts](http://www.bathnes.gov.uk/services/your-council-and-democracy/budgets-and-spending/annual-accounts)

**Aequus Construction Limited**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 March 2019**

**20. CAPITAL COMMITMENTS**

	2019 £	2018 £
Contracted but not provided for in the financial statements	-	61,414

**21. RELATED PARTY DISCLOSURES**

Transactions and balances between the company and other members of the group to which it is a member are disclosed below:

Transactions with BANES.

	Year ended 31 March 2019 £	Period ended 31 March 2018 £
Purchase of land and property	-	1,600,000
Other goods and services	363,639	201,199
Interest recharge	218,249	42,537
Loan arrangement fees	7,685	3,170
Services Income	90,449	-

Year end balances arising from loans received from BANES amount to:

	Year ended 31 March 2019 £	Period ended 31 March 2018 £
Loan payable to parent undertaking	8,154,876	2,470,000
Trade payables	52,844	326,362

The loan payable to BANES is secured by a fixed and floating charge over the company assets. Interest is charged on the loans at EU base plus 4%. BANES has also provided a guarantee to certain company suppliers.

Transactions with Aequus Developments Limited (immediate parent undertaking)

	Year ended 31 March 2019 £	Period ended 31 March 2018 £
Other goods and services	43,435	85,101
Sales - Recharge	5,492	-

Year end balances arising from from Aequus Developments Limited amount to:

	Year ended 31 March 2019 £	Period ended 31 March 2018 £
Trade receivable	4,161	-

**REMUNERATION OF KEY MANAGEMENT PERSONNEL**

The remuneration of directors during the year was as follows:

	2019 £	2018 £
Seconded officer costs	236,606	82,411

These costs were paid to the members of key management by BANES and recharged to Aequus Construction Limited.

**22. EVENTS AFTER THE REPORTING PERIOD**

There were no significant events after the reporting period.

**Aequus Construction Limited**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 March 2019**

**23. RECONCILIATION OF LOSS BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	Year Ended 31.3.19 £	Period 22.6.17 to 31.3.18 £
Loss before taxation	(447,867)	(163,985)
Depreciation charges	9,940	-
Movement in group trade payables	(277,679)	-
Finance costs	8,644	337
Finance income	(73)	-
	<u>(707,035)</u>	<u>(163,648)</u>
Increase in inventories	(5,531,611)	(2,478,037)
Increase in trade and other receivables	(15,754)	(117,396)
Increase in trade and other payables	481,403	511,048
<b>Cash generated from operations</b>	<u><u>(5,772,997)</u></u>	<u><u>(2,248,033)</u></u>

**24. CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

**Year ended 31 March 2019**

	31.3.19 £	1.4.18 £
Cash and cash equivalents	<u>95,219</u>	<u>221,730</u>

**Period ended 31 March 2018**

	31.3.18 £	22.6.17 £
Cash and cash equivalents	<u>221,730</u>	<u>-</u>



**Aequus Construction Limited**  
**Income Statement Summaries**  
**for the Year Ended 31 March 2019**

	Year Ended 31.3.19 £	Period 22.6.17 to 31.3.18 £
<b>REVENUE</b>		
Sales	192,209	-
	<u>192,209</u>	<u>-</u>
<b>COST OF SALES</b>		
Purchases	131,083	-
	<u>131,083</u>	<u>-</u>
<b>ADMINISTRATIVE EXPENSES</b>		
<b>Establishment costs</b>		
Rent	16,741	-
Rates and water	6,252	-
Insurance	10,578	1,655
<b>Administrative expenses</b>		
Telephone	1,438	-
Post and stationery	854	-
Travel	10,327	529
Repairs and renewals	23,635	-
Computer costs	6,749	4,080
Sundry expenses	7,874	600
Management recharges	326,268	112,060
Temporary staff	34,821	-
Motor expenses	7,304	-
Accountancy	-	16,603
Legal fees	21,637	19,471
Auditors' remuneration	15,271	6,500
Auditors' remuneration for non audit work	273	2,000
Depreciation of tangible fixed assets		
Computer equipment	9,940	-
<b>Finance costs</b>		
Bank charges	460	150
	<u>500,422</u>	<u>163,648</u>
<b>FINANCE COSTS</b>		
Loan interest	8,644	337
	<u>8,644</u>	<u>337</u>
<b>FINANCE INCOME</b>		
Deposit account interest	73	-
	<u>73</u>	<u>-</u>



Report of the Directors and  
Financial Statements for the Year Ended 31 March 2019  
for  
Visit Bath Ltd

Contents of the Financial Statements  
for the Year Ended 31 March 2019

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**DIRECTORS:**

F De La Croix-Vaubois  
D Douglas  
R M Johnston  
J A S Boston  
D J Haywood  
P Galland

**REGISTERED OFFICE:**

9-10 Bath Street  
Bath  
BA1 1SN

**REGISTERED NUMBER:**

04843577 (England and Wales)

**AUDITORS:**

Moore Stephens  
Chartered Accountants and Statutory Auditor  
30 Gay Street  
Bath  
BA1 2PA

Report of the Directors  
for the Year Ended 31 March 2019

The directors present their report with the financial statements of the company for the year ended 31 March 2019.

**PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of supporting and advancing the economy of Bath and North East Somerset by marketing and co-ordinating the promotion of the district as a leisure, conference, business and educational visitor destination. This was achieved by:

- o assisting in the implementation of the tourism strategy of Bath and North East Somerset Council;
- o providing information on the district to visitors and local residents;
- o developing local and regional partnerships for purposes of economic development;
- o securing a more equitable distribution of the benefits of tourism to the residents of the district;
- o promoting and supporting the development of the district's tourism infrastructure;
- o undertaking initiatives to improve the quality of the visitor welcome to Bath and North East Somerset;
- o supporting businesses involved in the tourism industry;
- o promoting the heritage and cultural facilities of Bath and North East Somerset.

The company, which operates under the name of Visit Bath carries out these activities through:

- o operating the Bath Visitor Information Centre (which welcomes almost 500,000 visitors per year);
- o operating a membership scheme, with approximately five hundred business members;
- o providing an accommodation booking service for members;
- o marketing Bath and the surrounding area to leisure, business and overseas travellers;
- o undertaking PR activity to attract the top national and international travel writers;
- o developing Bath's official destination websites ([www.visitbath.co.uk](http://www.visitbath.co.uk), [www.bathvenuefinder.co.uk](http://www.bathvenuefinder.co.uk) and [www.bathchristmasmarket.co.uk](http://www.bathchristmasmarket.co.uk)),
- o organising the Bath Christmas Market.

In November 2016 the decision was made for Bath and North East Somerset Council (B&NES) to become the sole shareholder of the company, the articles of association were adopted on 5 April 2017.

**REVIEW OF BUSINESS**

The results for the year are shown in the income statement account on page 8 and other comprehensive income and expenditure on page 9.

Since 2017 the main office of the company has been based at 9-10 The Colonnades, Bath Street, Bath and the Visitor Information Centre (VIC) at Bridgwater House, Terrace Walk, Bath.

On 1 April 2017 the historic pension liability was transferred to Bath & North East Somerset Council. The company pension liability has increased in the year by £8,000 to £113,000. The 2018/19 balance sheet deficit has increased to £267,691 as at 31 March 2019 compared to £146,588 as at 31 March 2018. Operating deficit for the year to 31 March 2019 was £123,364. This was an improvement when compared to £179,273 for the prior year.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 April 2018 to the date of this report.

F De La Croix-Vaubois  
D Douglas  
R M Johnston

Report of the Directors  
for the Year Ended 31 March 2019

**DIRECTORS - continued**

Other changes in directors holding office are as follows:

W I Bell - resigned 30 May 2018

F G Collins - resigned 30 May 2018

V M S Da Cunha - resigned 30 May 2018

I J Stockley - resigned 22 November 2018

J A S Boston - appointed 22 February 2019

D J Haywood - appointed 22 February 2019

P Galland - appointed 10 November 2018

C Jenkins ceased to be a director after 31 March 2019 but prior to the date of this report.

**FUTURE PLANS**

The company continues to seek improvements in internal processes, organisational configuration and operating efficiencies. Visit Bath seeks to become the Destination Management Organisation for Bath, whilst continuing to deliver all of the current membership, event, visitor information and other services in a more effective and professional way.

**RESERVES**

At 31 March 2019, the company had an accumulated revenue deficit since the commencement of operations amounting to £173,901 (March 2018 deficit of £61,538). This does not include the Avon Pension Fund net deficit of £93,790 (gross deficit £113,000 less deferred tax of £19,210) (2018 net deficit £85,050) so the year-end balance sheet shows an overall deficiency of reserves amounting to £267,691 (2018 £146,588 deficit).

**1995 LOCAL AUTHORITIES (COMPANIES) ORDER**

The agreement of the Audit Commission was obtained for the appointment of Moore Stephens, 30 Gay Street, Bath, as auditors. This complies with the specifics of the order.

**COMPANY INFORMATION**

Chairperson

Chief Executive

Registered Office 9-10 Bath Street, Bath, United Kingdom BA1 1SN

Auditors Moore Stephens, 30 Gay St, Bath BA1 2PA

Report of the Directors  
for the Year Ended 31 March 2019

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**AUDITORS**

The auditors, Moore Stephens, will be proposed for re-appointment at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

**ON BEHALF OF THE BOARD:**

.....  
D J Haywood - Director

Date: .....



### **Opinion**

We have audited the financial statements of Visit Bath Ltd (the 'company') for the year ended 31 March 2019 which comprise the Income Statement, Other Comprehensive Income and Expenditure, Balance Sheet and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Emphasis of matter - going concern**

We draw attention to Note 2 to the financial statements which describes the uncertainty of the Company's ability to continue as a going concern due to the decision whether to renew the Company's contract to manage and promote tourism services in Bath having not yet been determined.

Our opinion is not qualified in respect of this matter.

### **Other information**

The directors are responsible for the other information. The other information comprises the information in the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Directors has been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Directors.

### **Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page four, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the Auditors.

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Powell CA (Senior Statutory Auditor)  
for and on behalf of Moore Stephens  
Chartered Accountants and Statutory Auditor  
30 Gay Street  
Bath  
BA1 2PA

Date: .....

Income Statement  
for the Year Ended 31 March 2019

	Notes	31.3.19 £	31.3.18 £
<b>TURNOVER</b>		2,435,929	2,858,864
Cost of sales		2,087,326	2,472,906
<b>GROSS SURPLUS</b>		348,603	385,958
Administrative expenses		471,967	565,231
<b>OPERATING DEFICIT</b>	4	(123,364)	(179,273)
Interest receivable and similar income		1	803
		(123,363)	(178,470)
Other finance costs	12	3,000	3,000
<b>DEFICIT BEFORE TAXATION</b>		(126,363)	(181,470)
Tax on deficit	6	(280)	(2,660)
<b>DEFICIT FOR THE FINANCIAL YEAR</b>		(126,083)	(178,810)

The notes form part of these financial statements

Other Comprehensive Income and Expenditure  
for the Year Ended 31 March 2019

	Notes	31.3.19 £	31.3.18 £
<b>DEFICIT FOR THE YEAR</b>		(126,083)	(178,810)
<b>OTHER COMPREHENSIVE INCOME</b>			
Actuarial gain on pension scheme		6,000	21,000
Capital Contribution		-	660,000
Income tax relating to components of other comprehensive income		(1,020)	(129,590)
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX</b>		4,980	551,410
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR</b>		(121,103)	372,600

The notes form part of these financial statements

Balance Sheet

31 March 2019

	Notes	31.3.19 £	31.3.18 £
<b>FIXED ASSETS</b>			
Intangible assets	7	54,570	45,582
Tangible assets	8	221,561	219,405
		<u>276,131</u>	<u>264,987</u>
<b>CURRENT ASSETS</b>			
Stocks		28,488	37,200
Debtors	9	215,568	133,044
Cash at bank and in hand		215,177	104,832
		<u>459,233</u>	<u>275,076</u>
<b>CREDITORS</b>			
Amounts falling due within one year	10	890,055	581,651
<b>NET CURRENT LIABILITIES</b>		<u>(430,822)</u>	<u>(306,575)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(154,691)</u>	<u>(41,588)</u>
<b>PENSION LIABILITY</b>	12	<u>(113,000)</u>	<u>(105,000)</u>
<b>NET LIABILITIES</b>		<u>(267,691)</u>	<u>(146,588)</u>
<b>RESERVES</b>			
Income and expenditure account		<u>(267,691)</u>	<u>(146,588)</u>
		<u>(267,691)</u>	<u>(146,588)</u>

The financial statements have been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

The financial statements were approved by the Board of Directors on ..... and were signed on its behalf by:

.....  
D J Haywood - Director

The notes form part of these financial statements

Notes to the Financial Statements  
for the Year Ended 31 March 2019

**1. STATUTORY INFORMATION**

Visit Bath Ltd is a private company, limited by guarantee, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentational currency is GBP.

**2. ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

**Going Concern**

The company's main activity is the management of tourism and promotion in Bath with the current contract due to expire within 12 months of the year end. The contract has an option to extend for 1 year. Since the year end, the Company has not had it confirmed whether the extension will be taken or not. Visit Bath has delivered these services since 2003, demonstrating a good reputation in this area.

Notwithstanding the deficit for the year of £126,083 and net liabilities of £267,691, on the basis of the above information and having reviewed available forecasts and plans, the directors believe the use of the going concern basis to be appropriate. The appointment of a new CEO, recent restructuring and a cost recovery plan have resulted in a leaner, more agile organisation and the directors are confident of delivering a profit in 2019/20 and reducing the net liabilities of the company.

If the company is unsuccessful in renewing the contract it would not be a going concern.

**Turnover**

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

**Intangible assets**

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Computer software is being amortised evenly over its estimated useful life of four years.

**2. ACCOUNTING POLICIES - continued**

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Improvements to property	- 10% on cost
Fixtures and fittings	- 33% on cost
IT equipment	- 25% on cost

Tangible fixed assets individually costing in excess of £2,000 are capitalised and included at cost.

Website development costs represent the design and content cost associated with the development of destination management system software. They are capitalised only to the extent that they lead to the creation of an enduring asset delivering benefits at least equal to the amount capitalised. They are recorded in the balance sheet in the year in which they are incurred and amortised over their useful economic life which is assessed as being two years.

**Stocks**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

**Taxation**

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against income on a straight line basis over the period of the lease.



Notes to the Financial Statements - continued  
for the Year Ended 31 March 2019

**2. ACCOUNTING POLICIES - continued**

**Pension costs and other post-retirement benefits**

The company participates in a defined benefit pension scheme, the Avon Pension Fund, that provides benefits based on final pensionable pay. The assets of this fund are kept separately from those of the company and are held by independent administrators.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses arising from experience adjustments and changes in assumptions are recognised immediately in other comprehensive income. All costs related to the defined benefit plan are recognised in the income statement within employee benefit costs.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

The company operates a defined contribution pension scheme for new employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

**Hire purchase agreements**

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the income and expenditure account on a straight line basis.

**Government grants**

Government grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in the Income and Expenditure Account so as to match with the related costs they are intended to compensate for. Grants related to capital assets are deferred and released to the Income and Expenditure Account over the expected useful life of the asset.

**3. EMPLOYEES AND DIRECTORS**

The average number of employees during the year was 32 (2018 - 32).

**4. OPERATING DEFICIT**

The operating deficit is stated after charging:

	31.3.19	31.3.18
	£	£
Depreciation - owned assets	23,685	17,736
Computer software amortisation	13,200	-
Auditors' remuneration	5,850	5,700
	<u>          </u>	<u>          </u>

Notes to the Financial Statements - continued  
for the Year Ended 31 March 2019

5. **EXCEPTIONAL ITEMS**

	31.3.19	31.3.18
	£	£
Exceptional items	-	(77,939)
	<u>          </u>	<u>          </u>

The prior year exceptional items included amounts totalling £77,939 relating to relocation and restructuring costs.

6. **TAXATION**

**Analysis of the tax credit**

The tax credit on the deficit for the year was as follows:

	31.3.19	31.3.18
	£	£
Deferred tax:		
Deferred tax relating to defined benefit pension schemes	(280)	(2,660)
	<u>          </u>	<u>          </u>
Tax on deficit	(280)	(2,660)
	<u>          </u>	<u>          </u>

**Tax effects relating to effects of other comprehensive income**

	31.3.19		31.3.18		
	Gross	Tax	Net		
	£	£	£		
Actuarial gain on pension scheme Capital Contribution	6,000	(1,020)	4,980		
	<u>          </u>	<u>          </u>	<u>          </u>		
	6,000	(1,020)	4,980		
	<u>          </u>	<u>          </u>	<u>          </u>		
	Gross	Tax	Net		
	£	£	£		
Actuarial gain on pension scheme Capital Contribution	21,000	(4,000)	17,000		
	660,000	(125,590)	534,410		
	<u>          </u>	<u>          </u>	<u>          </u>		
	681,000	(129,590)	551,410		
	<u>          </u>	<u>          </u>	<u>          </u>		

Notes to the Financial Statements - continued  
for the Year Ended 31 March 2019

7. INTANGIBLE FIXED ASSETS

	Other intangible assets £
<b>COST</b>	
At 1 April 2018	45,582
Additions	22,188
	<hr/>
At 31 March 2019	67,770
	<hr/>
<b>AMORTISATION</b>	
Charge for year	13,200
	<hr/>
At 31 March 2019	13,200
	<hr/>
<b>NET BOOK VALUE</b>	
At 31 March 2019	54,570
	<hr/>
At 31 March 2018	45,582
	<hr/>

8. TANGIBLE FIXED ASSETS

	Improvements to property £	Fixtures and fittings £	IT equipment £	Totals £
<b>COST</b>				
At 1 April 2018	221,099	58,257	29,100	308,456
Additions	2,210	11,535	12,096	25,841
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2019	223,309	69,792	41,196	334,297
	<hr/>	<hr/>	<hr/>	<hr/>
<b>DEPRECIATION</b>				
At 1 April 2018	6,834	58,257	23,960	89,051
Charge for year	18,943	641	4,101	23,685
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2019	25,777	58,898	28,061	112,736
	<hr/>	<hr/>	<hr/>	<hr/>
<b>NET BOOK VALUE</b>				
At 31 March 2019	197,532	10,894	13,135	221,561
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2018	214,265	-	5,140	219,405
	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the Financial Statements - continued  
for the Year Ended 31 March 2019

**9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31.3.19	31.3.18
	£	£
Trade debtors	127,245	54,236
Deferred tax asset	20,159	20,899
Prepayments and accrued income	68,164	57,909
	<u>215,568</u>	<u>133,044</u>

**10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31.3.19	31.3.18
	£	£
Trade creditors	357,885	256,397
Taxation and social security	62,332	41,513
Other creditors	469,838	283,741
	<u>890,055</u>	<u>581,651</u>

**11. LEASING AGREEMENTS**

Minimum lease payments under non-cancellable operating leases fall due as follows:

	31.3.19	31.3.18
	£	£
Within one year	106,779	106,779
Between one and five years	418,452	421,065
In more than five years	431,944	537,592
	<u>957,175</u>	<u>1,065,436</u>

**12. EMPLOYEE BENEFIT OBLIGATIONS**

Visit Bath Limited participates in the Avon Pension Fund, part of the Local Government Pension Scheme. Since 2008 the company has closed the scheme to new entrants, new staff instead being enrolled in a defined contribution scheme. Up until 31 March 2014 the scheme provides benefits based on members' final pensionable salary, thereafter benefits are based on career average revalued earnings.

On 1 April 2017 B&NES agreed that part of the Avon Pension Fund deficit would be absorbed by the Council. This was recognised as a capital contribution and shown as a settlement in the prior year figures.

The company's defined benefit pension scheme was in deficit by £113,000 at 31 March 2019 (2018: £105,000). A deferred tax asset is recognised separately in the balance sheet of £19,210 (2018: £19,950). The company continues to meet all pension liabilities as they fall due, as determined by the independent actuary.

The latest actuarial valuation of the Avon Pension Fund took place on 31 March 2015.

Notes to the Financial Statements - continued  
for the Year Ended 31 March 2019

**12. EMPLOYEE BENEFIT OBLIGATIONS - continued**

The amounts recognised in surplus or deficit are as follows:

	Defined benefit pension plans	
	31.3.19	31.3.18
	£	£
Current service cost	24,000	24,000
Net interest from net defined benefit asset/liability	3,000	3,000
Past service cost	-	-
	<u>27,000</u>	<u>27,000</u>
Actual return on plan assets	<u>31,000</u>	<u>10,000</u>

Changes in the present value of the defined benefit obligation are as follows:

	Defined benefit pension plans	
	31.3.19	31.3.18
	£	£
Opening defined benefit obligation	362,000	2,604,000
Current service cost	24,000	24,000
Contributions by scheme participants	3,000	3,000
Interest cost	10,000	9,000
Actuarial losses/(gains)	18,000	(17,000)
Settlements	-	(2,263,000)
	<u>417,000</u>	<u>360,000</u>

Changes in the fair value of scheme assets are as follows:

	Defined benefit pension plans	
	31.3.19	31.3.18
	£	£
Opening fair value of scheme assets	257,000	1,832,000
Contributions by employer	13,000	13,000
Contributions by scheme participants	3,000	3,000
Expected return	7,000	6,000
Actuarial gains/(losses)	24,000	4,000
Settlements	-	(1,603,000)
	<u>304,000</u>	<u>255,000</u>

Notes to the Financial Statements - continued  
for the Year Ended 31 March 2019

**12. EMPLOYEE BENEFIT OBLIGATIONS - continued**

The amounts recognised in other comprehensive income are as follows:

	Defined benefit pension plans	
	31.3.19	31.3.18
	£	£
Actuarial gains/(losses)	6,000	21,000
Capital Contribution	-	660,000
	<u>6,000</u>	<u>681,000</u>

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	Defined benefit pension plans	
	31.3.19	31.3.18
Equities	40.30%	42.70%
Bonds	13.80%	13.10%
Property	10.10%	9.10%
Cash	1.20%	1.40%
Other	34.60%	33.70%
	<u>100.00%</u>	<u>100.00%</u>

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	31.3.19	31.3.18
Discount rate	2.50%	2.65%
Future salary increases	3.15%	3.10%
Future pension increases	2.35%	2.30%

**13. RELATED PARTIES**

The directors are not remunerated for work undertaken in their role as Board members, with exception of the Chair who receives an honorarium of £6,000pa (2017-18 £6,000).

Various directors have their own businesses; all transactions were at arms-length, no balances were written off in the year and there were no outstanding balances at the year end.

**14. COMPANY LIMITED BY GUARANTEE**

The company is limited by guarantee, with every member of the company agreeing to contribute such amount as may be required (not exceeding £1) to the company's assets if it should be wound up.

Bath & North East Somerset Council		
MEETING	Corporate Policy Development & Scrutiny Panel	
MEETING	24 September 2019	EXECUTIVE FORWARD PLAN REFERENCE:
TITLE:	Protocol on Council Company Governance	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 Proposed report to Council to amend the Protocol on Council Company Governance		

## **1 THE ISSUE**

- 1.1 To provide an opportunity for scrutiny of the proposed changes to the Council's Protocol on Council company governance

## **2 RECOMMENDATION**

**The Panel is asked to;**

- 2.1 Consider and comment on the proposed amendments to the Protocol**

## **3 THE REPORT**

- 3.1 The Resources PDS panel has previously recommended to Council that a greater scrutiny mechanism be achieved for decisions made by, or in consultation with, the Leader in his or her role as shareholder. The new administration proposes enhanced scrutiny arrangements by involving the other

party group leaders in the shareholder group that advises the leader as shareholder representative.

- 3.2 In addition the current arrangements for monitoring the performance of ADL & ACL (the council's development company) through a shadow holding company are administratively costly & cumbersome. It is proposed to suspend these arrangements until such time as these are warranted. In particular if and when new council owned companies are created. In the meantime provision is made for leaner oversight arrangements. These leaner arrangements see a new client board established with officers at the appropriate level holding ADL/ACL to account and ensuring that they deliver in line with the council's priorities.
- 3.3 Finally it is proposed that the power to review the suspension of the holding company arrangements is delegated to the s.151 officer in consultation with the leader and that these arrangements will be reinstated when it is considered that the holding company arrangements are warranted.

#### **4 STATUTORY CONSIDERATIONS**

- 4.1 The Localism Act 2011 requires that all trading by Councils must be undertaken through the creation of a company. The Protocol adopted by Council on 14<sup>th</sup> September 2017, together with the adaptation of the processes recommended in the report to Council on the 10 October 2019 report will ensure a consistent approach to the creation, subsequent governance and effective scrutiny of all Council trading companies.

#### **5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)**

- 5.1 The adoption of the proposed changes will result in savings by avoiding the need to hold group leader briefing meetings and shadow hold company meetings and streamline decision making.

#### **6 RISK MANAGEMENT**

- 6.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

#### **7 CLIMATE CHANGE**

- 7.1 Streamlined decision making will avoid the need to hold separate and duplicate meetings.

#### **8 OTHER OPTIONS CONSIDERED**

- 8.1 To maintain the present arrangements with the consequent reduced transparency and additional administrative costs.

#### **9 CONSULTATION**

- 9.1 The Chief Executive, Monitoring & S.151 officers and Shadow Hold Company directors have been consulted on the proposed changes to the Councils protocol on Company Governance.



<b>Contact person</b>	Michael Hewitt, Legal Services Manager, tel: 01225 395125
<b>Background papers</b>	Council report 14 <sup>th</sup> September 2017 adopting the protocol, Council report 8 November 2018 amending the protocol
<b>Please contact the report author if you need to access this report in an alternative format</b>	

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Bath & North East Somerset Council		
MEETING/ DECISION MAKER:	Council	
MEETING/ DECISION DATE:	10 October 2019	EXECUTIVE FORWARD PLAN REFERENCE:
TITLE:	Protocol on Council Company Governance	
WARD:	All	
<b>AN OPEN PUBLIC ITEM</b>		
<p><b>List of attachments to this report:</b></p> <p>Please list all the appendices here, clearly indicating any which are exempt and the reasons for exemption</p> <p><b>Appendix A</b> Proposed Shareholder Group terms of reference</p> <p><b>Appendix B</b> Diagram of current company governance arrangements</p> <p><b>Appendix C</b> Diagram of company governance arrangements after suspending Holding Company arrangements</p>		

## 1 THE ISSUE

- 1.1 This report sets out the progress made on implementing the decisions of Council on 8 November 2018

## 2 RECOMMENDATION

The Council is asked to;

- 2.1 Amend the Protocol to adopt the proposed new Shareholder Group incorporating enhanced scrutiny arrangements by Group Leaders
- 2.2 Suspend the Protocol in respect of a requirement to Incorporate or operate a Holding Company structure until further review.
- 2.3 Delegate to the s.151 officer, in consultation with the Leader, the decision on when to re-instate the Protocol requirement to operate a holding company structure.

### 3 THE REPORT

- 3.1 On 8 November 2018 the Council resolved to approve the amendments to the Protocol proposed in that report together with the addition of a further recommendation from Resources Policy Development & Scrutiny Panel with regard to the Group Leaders briefing and with a requirement that the proposals for Scrutiny should be reviewed early in the new administration.
- 3.2 The Group Leaders need to be informed at an appropriate stage prior to shareholder decision making to permit any recommendation for consideration by the Shareholder Representative at an appropriate stage. After reviewing the current arrangements it is recognised that to ensure that the Council's companies have the best chance at succeeding, it is prudent to ensure there is a continuity of understanding and decision making especially in the event of a change in administration. Accordingly it is proposed that the Shareholder Group be reconfigured to include the Group Leaders together with a reduced number of executive members. The Shareholder Group terms of reference have been amended to reflect the change in membership and are attached at Appendix A. As previously, the Group Leaders will be privy to the same information as the executive members and therefore an obligation of strict confidentiality arises in respect of information disclosed which is commercially sensitive to Council companies. As a consequence of a reconfigured Shareholders Group, the Group Leaders briefing is no longer required and reference to it has been removed from the Protocol.
- 3.3 In the report to Council in November 2018 officers proposed to operate the shadow hold company arrangements for a period of 18 months while the shareholder agreements, which deal with reserved matters, were embedded. It was proposed to finalise the holding company arrangements in the summer of 2019. The intention was to gain experience of operating hold company arrangements in shadow form to ensure the Council had the appropriate governance control arrangements in place before finalising these.
- 3.4 The Shadow Holding Company board has met on 7 occasions since the last report to Council. During this period the collective view of the members of that board is that the current requirement for a holding Company arrangement is unnecessary. At the time these arrangements were contemplated it was envisaged that the Council might have a number of companies that would benefit from such an arrangement. In particular a group approach to such companies would have ensured consistency in standards; the application of common policies and cost sharing of common functions e.g. Human Resource or Company secretarial functions. In addition a group structure would enable tax advantages through operating group accounts. In practice these benefits have not been achieved principally because the formation of other council companies has not materialised. Currently the Council has only the Aequus group operating under the existing governance arrangements and until other companies are formed, the benefits of operating a holding company structure are not being achieved. Given the bureaucratic burden of operating this structure, it is proposed that this is suspended until such time as its implementation is warranted.

- 3.5 It is proposed that the current role of the Shadow Holding company is overseen by a client group consisting of Council officers closely connected with the subject matter of the type of trading the company intends to conduct. In the first instance this would only apply to the Aequus group of companies but this can be replicated for other companies until such time as it is considered, by the S.151 officer, to be appropriate to reinstate Holding Company arrangements. The diagram in the protocol Appendix B depicting present company arrangements will be replaced with the diagram at Appendix C
- 3.6 Although not specifically assigned, the Shadow Hold Company had incorporated into its terms of reference an assurance role in the oversight of the Council's minority shareholding interests in other companies (e.g. Brunel Pension Partnership, One West, Adoption West, Bath Spa etc.) to ensure the Council's interests are adequately safeguarded. During the suspension of the holding company arrangements it is proposed that this role is undertaken by the lead Director who has delegated budgetary authority for managing the contact with the company and associated financial governance and monitoring arrangements.
- 3.7 It is proposed that the formation of Council companies is kept under review and revisited each time a new company is formed and that an officer decision is made when S.151 officer considers there is merit in implementing the holding Company Structure arrangements.

## **4 STATUTORY CONSIDERATIONS**

- 4.1 The Localism Act 2011 requires that all trading by Councils must be undertaken through the creation of a company. The Protocol adopted by Council on 14<sup>th</sup> September 2017, together with the adaptation of the processes recommended in this report ensures a consistent approach to the creation, subsequent governance and effective scrutiny of all Council trading companies.

## **5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)**

- 5.1 Under the proposed governance structure for Aequus Group of Companies, the Client Group, chaired by the Director of Economy & Growth, supported by the Head of Housing, replaces the current Shadow Holding Company. This proposal is endorsed by both the Director of Economy & Growth and Head of Housing and Aequus as it closer aligns the operational delivery requirements of the Council with the business plan of ADL and ensures that any discrepancies are identified and resolved at the earliest opportunity by the officers directly involved in the process.

## **6 RISK MANAGEMENT**

- 6.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

## **7 CLIMATE CHANGE**

- 7.1 There are no climate change implications directly arising from this report although all partner organisations are aware of the Council's commitment to

provide leadership to achieve carbon neutral BANES by 2030 and have been asked to reflect this in their business plans going forward.

## **8 OTHER OPTIONS CONSIDERED**

8.1 None

## **9 CONSULTATION**

9.1 The Chief Executive, S.151, Monitoring officer, Group Leaders and Policy Development & Scrutiny Panel have been consulted on the contents of this report.

<b>Contact person</b>	Michael Hewitt tel: 01225 395125
<b>Background papers</b>	Council Reports dated 08 November 2018 & 14 September 2017.
<b>Please contact the report author if you need to access this report in an alternative format</b>	

**BATH & NORTH EAST SOMERSET COUNCIL**  
**SHAREHOLDER GROUP - TERMS OF REFERENCE**

## **Overview**

The purpose of the Shareholder Group is to advise the Shareholder in the exercise of their responsibility for the Council's functions as corporate shareholder of a company or group of companies and in their role to represent the interests of the Council as Shareholder Representative at meetings of a company.

## **Decision making**

The Cabinet will make decisions concerning companies in which the Council is or is proposed to become a shareholder. Information provided is commercially confidential to the Council companies and must be held in Strict Confidence and must not be divulged by the members in receipt of it save for the purpose for which it is disclosed.

## **Membership and Arrangements**

The Shareholder Group shall consist of the Leader in the presence of:

- (a) three members of the Cabinet being the portfolio holder for (or their nominated representatives):-  
Resources  
Housing Planning & Economic Development  
Community Services
- (b) Group Leaders of the other parties and
- (c) any co-opted advisors, who will be independent persons providing relevant expertise and appointed on merit

The Chief Executive, Service Director for Finance (s151 Officer) and the Head of Legal and Democratic Services (Monitoring Officer), or their deputies, will be advisors to the Group to provide open and strong advice.

## **Restrictions on Membership**

As the Shareholder Group and the Shareholder discharges executive functions in relation to company matters, only Cabinet members can be members of the Shareholder Group with voting rights, although non-Cabinet members and co-opted advisors can be invited to attend, without voting rights.

## **Meetings**

The Shareholder Group shall meet on a basis agreed by itself and normally in private.

The quorum shall be the Leader (or other Cabinet member appointed by the Leader for this purpose) in the presence of a minimum of two other Cabinet Members.

An invitation to attend must also have been provided to the Chief Executive, section 151 officer and the monitoring officer (or their nominated deputies), which will normally be at least three clear days in advance of the meeting taking place.

The Leader will chair the Shareholder Group.

## **Sub Groups**

To assist it in its functions the Shareholder Group:

1. may establish and consult standing sub-groups, such as might be required in respect of:
  - (a) Audit and Risk;
  - (b) Ethical practices; or
  - (c) Nominations and Remuneration
2. may establish and consult ad-hoc or task and finish sub-groups in respect of any matter; and
3. may establish and consult stakeholder groups on any particular aspect or the generality of the objects of the trading companies

A sub-group or stakeholder group may contain such co-opted members, advisors or observers as the Shareholder Group sees fit.

## **Functions**

1. Monitor the performance of a company in relation to its Business Plan and, in particular, the company's performance:
  - (a) in financial matters
  - (b) against the objectives of the company as set out in the company's Objects, Business Case or Business Plan
2. Evaluate and monitor:
  - (a) the financial and other returns on investment (be that shareholding, loans or direct investment); and
  - (b) risks and opportunities including those arising from joint ventures or new opportunities.
3. Consider matters reserved to the Council for shareholder approval, such as:
  - (a) Varying Articles of Association
  - (b) Varying ownership and structure
  - (c) Variations to shares (number of; rights; etc.)
  - (d) Entering contracts that:
    - (i) have a material effect on BaNES Council business (including other companies within the group)
    - (ii) are outside of the business plan or do not relate to the business



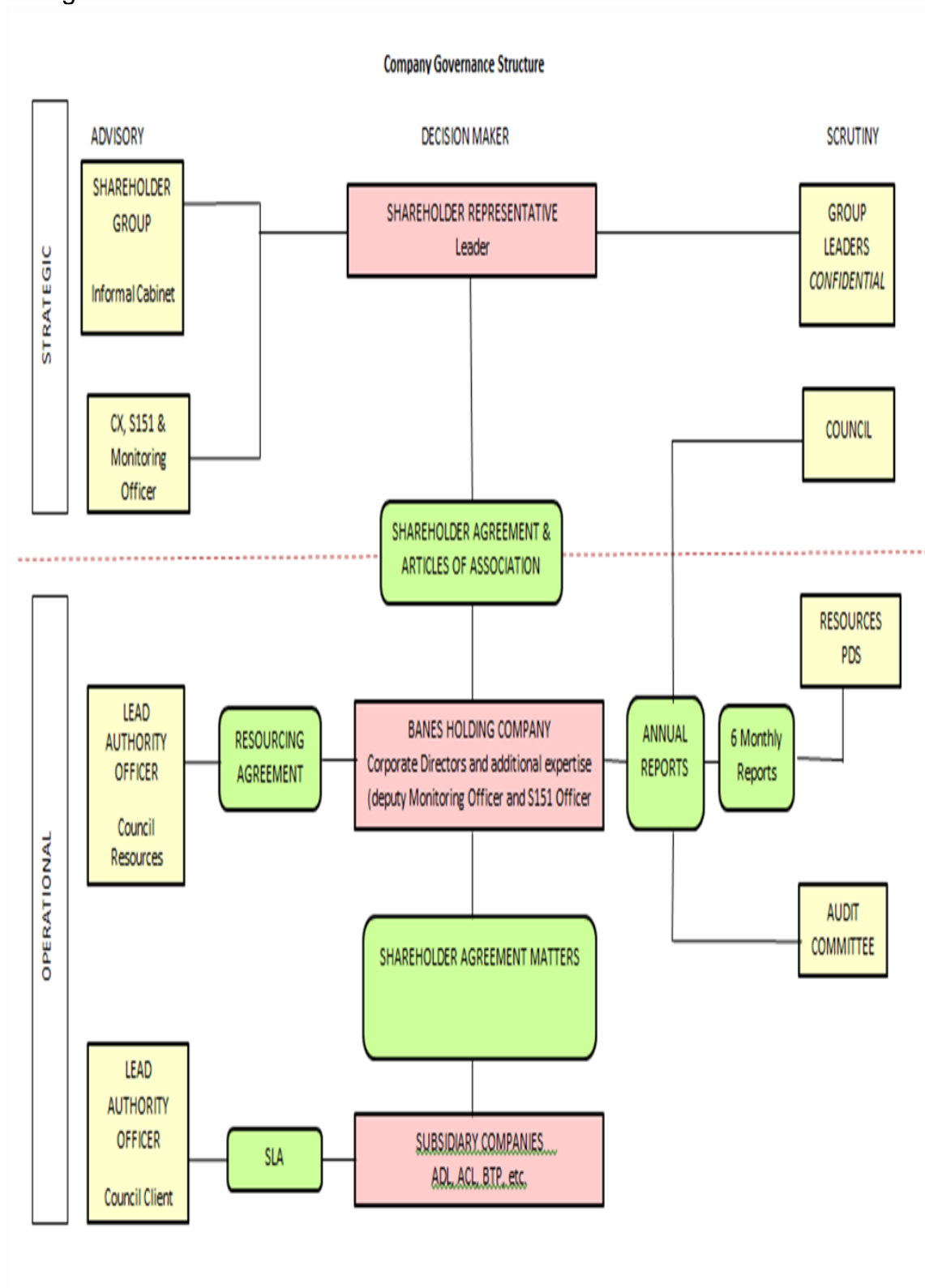
- (iii) are significant in relation to the size of the business, the business plan, etc.
  - (e) Material legal proceedings outside of ordinary business
  - (f) Adopting and amending business plans each year and strategic plans (3 years)
  - (g) Appointment, removal and the remuneration of directors (members of the company board)
  - (h) Selection of the chair of the board
  - (i) Appointment of auditors
  - (j) Issue of dividends and
- as more particularly set out in a company's Articles of Association or Shareholder Agreement.

## **Relationship**

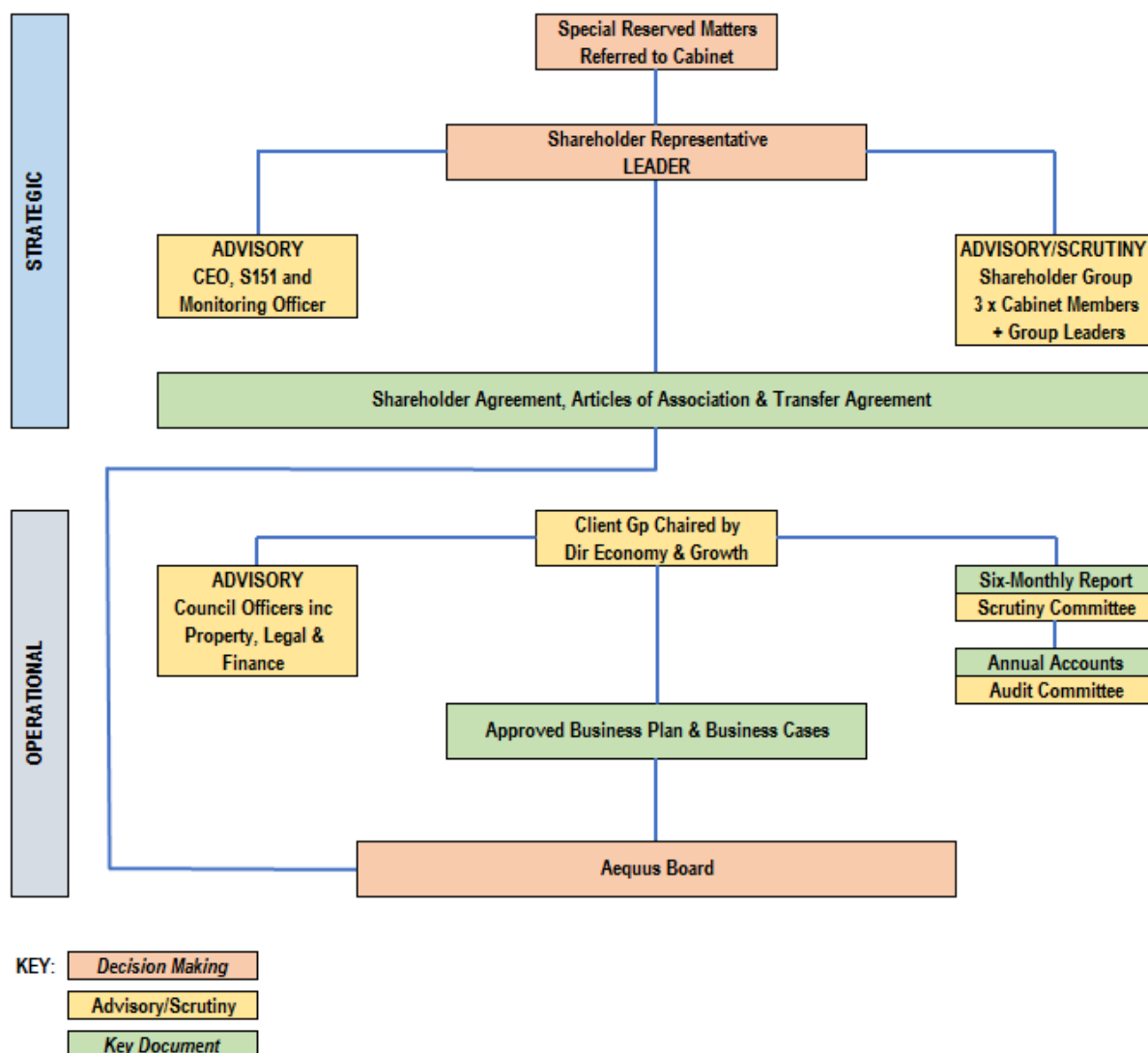
The Shareholder Group as it considers appropriate in accordance with its functions described above, may:

1. report and make formal recommendations to the Cabinet;
2. make reports to and consult PDSP (including full Council) subject to the opportunity for Cabinet to first comment on reports or
3. make reports to and consult the Audit Committee, in relation to that Committee's particular functions.

## Existing Governance Structure – for reference:



## AEQUUS GOVERNANCE STRUCTURE (Proposed)



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## CORPORATE POLICY DEVELOPMENT AND SCRUTINY PANEL

This Forward Plan lists all the items coming to the Panel over the next few months.

Inevitably, some of the published information may change; Government guidance recognises that the plan is a best assessment, at the time of publication, of anticipated decision making. The online Forward Plan is updated regularly and can be seen on the Council's website at:

<http://democracy.bathnes.gov.uk/mgPlansHome.aspx?bcr=1>

The Forward Plan demonstrates the Council's commitment to openness and participation in decision making. It assists the Panel in planning their input to policy formulation and development, and in reviewing the work of the Cabinet.

*Should you wish to make representations, please contact the report author or, Democratic Services (). A formal agenda will be issued 5 clear working days before the meeting.*

*Agenda papers can be inspected on the Council's website and at the Guildhall (Bath), Hollies (Midsomer Norton), Civic Centre (Keynsham) and at Bath Central, and Midsomer Norton public libraries.*

Ref Date	Decision Maker/s	Title	Report Author Contact	Director Lead
<b>24TH SEPTEMBER 2019</b>				
12 Sep 2019 24 Sep 2019 <b>E3156</b>	<b>Cabinet</b>  <b>Corporate Policy Development and Scrutiny Panel</b>	<b>Revenue and Capital Budget Monitoring, Cash Limits and Virements - April 2019 to July 2019</b>	Andy Rothery Tel: 01225 477103	Director Finance - Section 151 Officer
12 Sep 2019 24 Sep 2019 <b>E3154</b>	<b>Cabinet</b>  <b>Corporate Policy Development and Scrutiny Panel</b>	<b>Medium Term Financial Strategy &amp; Corporate Plan Update</b>	Donna Parham Tel: 0122539	Director Finance - Section 151 Officer
24 Sep 2019	<b>Corporate Policy Development and Scrutiny Panel</b>	<b>People Strategy</b>	Cherry Bennett Tel: 01225 47 7203	Director Partnership & Corporate Services
24 Sep 2019	<b>Corporate Policy Development and Scrutiny Panel</b>	<b>Council Company Accounts 2018/19</b>	Martin Shields	Corporate Director (Place)

Ref Date	Decision Maker/s	Title	Report Author Contact	Director Lead
24 Sep 2019 10 Oct 2019	Corporate Policy Development and Scrutiny Panel  Council	Protocol on Council Company Governance	Michael Hewitt  Martin Shields Tel: 01225 395125	Director Legal & Democratic
<b>25TH NOVEMBER 2019</b>				
<b>FUTURE ITEMS</b>				
The Forward Plan is administered by <b>DEMOCRATIC SERVICES:</b> Democratic_Services@bathnes.gov.uk				

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