Bath & North East Somerset Council

Improving People's Lives

Corporate Audit Committee

Date: **Wednesday 1st November 2023**
Time: **4.00 pm**
Venue: **Kaposvar Room - Guildhall, Bath**

Agenda

To: All Members of the Corporate Audit Committee

Councillors: David Biddleston (Chair), Lucy Hodge, George Leach, Malcolm Treby and Sam Ross

Independent Member: John Barker

Chief Executive and other appropriate officers

Press and Public

The agenda is set out overleaf.

Enfys Hughes
Democratic Services
Lewis House, Manvers Street, Bath, BA1 1JG
Telephone: 01225 39 4435
Web-site - http://www.bathnes.gov.uk
E-mail: Democratic_Services@bathnes.gov.uk

NOTES:

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

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

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. Some of our meetings are webcast. At the start of the meeting, the Chair will confirm if all or part of the meeting is to be filmed. If you would prefer not to be filmed for the webcast, please make yourself known to the camera operators. We request that those filming/recording meetings avoid filming public seating areas, children, vulnerable people etc; however, the Council cannot guarantee this will happen.

The Council will broadcast the images and sounds live via the internet www.bathnes.gov.uk/webcast. The Council may also use the images/sound recordings on its social media site or share with other organisations, such as broadcasters.

4. **Public Speaking at Meetings**

The Council has a scheme to encourage the public to make their views known at meetings. They may make a statement relevant to what the meeting has power to do. They may also present a petition or a deputation on behalf of a group.

Advance notice is required not less than two full working days before the meeting. This means that for meetings held on Thursdays notice must be received in Democratic Services by 5.00pm the previous Monday.

Further details of the scheme can be found at:

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

5. Emergency Evacuation Procedure

When the continuous alarm sounds, you must evacuate the building by one of the designated exits and proceed to the named assembly point. The designated exits are signposted. Arrangements are in place for the safe evacuation of disabled people.

6. Supplementary information for meetings

Additional information and Protocols and procedures relating to meetings

https://democracy.bathnes.gov.uk/ecCatDisplay.aspx?sch=doc&cat=13505

Corporate Audit Committee-Wednesday, 1st November, 2023

at 4.00 pm in the Kaposvar Room - Guildhall, Bath

A G E N D A

1. EMERGENCY EVACUATION PROCEDURE

   The Chair will draw attention to the emergency evacuation procedure as set out under Note 5.

2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

3. 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 4.4 Appendix 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.

4. TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

   The Chair will announce any items of urgent business.

5. ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

6. ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

   To deal with any petitions, statements or questions from Councillors and, where appropriate, co-opted and added Members.

7. MINUTES - 5TH JULY 2023 (Pages 7 - 14)

8. BRIEFING PRESENTATION - ACCOUNTS 2022/23 (NO PAPERS) 4pm - 4.45pm

   This is a briefing for Members. No papers are provided for this item.

9. COUNCIL COMPANY AEQUUS (ADL, ACL & AGHL) ANNUAL ACCOUNTS 2022/23 (Pages 15 - 90)

10. EXTERNAL AUDIT - UPDATE (Pages 91 - 122)

11. TREASURY MANAGEMENT PERFORMANCE REPORT TO 30TH SEPTEMBER 2023 (Pages 123 - 144)

12. INTERNAL AUDIT - UPDATE REPORT (PLANNED WORK 2023/24) (Pages 145 - 152)

13. AUDIT COMMITTEE - DRAFT WORKPLAN (Pages 153 - 156)

The Committee Administrator for this meeting is Enfys Hughes who can be contacted on 01225 394410.

BATH AND NORTH EAST SOMERSET COUNCIL

CORPORATE AUDIT COMMITTEE

Minutes of the Meeting held

Wednesday, 5th July, 2023, 4.00 pm

Councillors: David Biddleston (Chair), Malcolm Treby and Sam Ross
Independent Member: John Barker
Officers in attendance: Gary Adams (Head of Financial Management), Andy Cox (Head of Audit and Assurance), Andy Rothery, (Chief Finance Officer (Section 151)), Jeff Wring (Director One West)
Guests in attendance: Beth Bowers and Jon Roberts, Grant Thornton

1 ELECTION OF VICE-CHAIR

No Vice-Chair was elected for the meeting.

2 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer drew attention to the Emergency Evacuation Procedure.

3 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies for absence were received from Cllr Lucy Hodge and Cllr George Leach.

4 DECLARATIONS OF INTEREST

There were no declarations of interest.

5 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was no urgent business.

6 ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

There were no items from the public.

7 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were no items from Councillors or the Independent Member.

8 MINUTES - 15TH MARCH 2023

The Committee noted that John Barker was the only member who was present at the previous meeting and it was agreed that approval of the minutes be deferred until the next meeting.

9 BANES COUNCIL EXTERNAL AUDIT PLAN

Jon Roberts and Beth Bowers (Grant Thornton) introduced the report and drew attention to the following:

1. As a general introduction, external audits in local authorities do not follow the Companies Act, there was a broader scope as public money was involved.
2. Risk assessment standards had been refreshed this year - ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statement).
3. The risk assessment regarding arrangements to secure value for money would take place in July 2023. The External Auditors would report the results should any risks of significant weakness be identified.
4. The framework for the audit was set by National Audit Office.
5. The audit identified a variety of levels of risk with the highest level being a significant risk.
6. Significant risks identified:
    a. Income from the roman baths and investment estate.
    b. Management override of controls.
    c. Valuation of land and buildings.
    d. Valuation of investment properties.
    e. Valuation of the pension fund net liability.
7. The Council had amended its group structure, with Aequus Group Holdings Limited being introduced as parent company of Aequus Developments Limited and Aequus Construction Limited. The Council was required to prepare group financial statements that consolidated the financial information of the 3 group subsidiary companies.
8. Materiality was set at £7.5m (PY £7.1m) for the group and £7.4m (PY £7.0m) for the Council, which equated to approximately 1.9% of the prior year gross operating costs for the year. External Auditors were obliged to report uncorrected omissions or misstatements other than those which were ‘clearly trivial’ to those charged with governance. Clearly trivial had been set at £0.37m (PY£0.35m).
9. A training session would be offered to Members of the Committee on the technical details.

In response to questions from members, it was confirmed that:

1. The external audit plan was a response to financial statements and the value for money was a separate audit.
2. The audit of IT systems was a key part of the audit. As well as security and data protection, the audit would look at the structure of the systems to make sure data was complete and accurate.
3. In terms of timescales, the audit had started and was due to be completed by November.
4. The delays which had an impact on the previous year’s audit were caused by issues that were outside of the Council’s control e.g., how structures such as roads could be valued and Covid-19. It was not anticipated that there would be similar issues this year.
5. The slippage on the value for money work would be clawed back.
6. In relation to fees and current issues affecting the audit market, Sir Tony Redmond had led an independent review into the effectiveness of external

audits and transparency of financial reporting in local authorities which recommended a number of changes. There was a frailty in the audit market as there were not enough companies to undertake all of the available work. Retention of staff was a challenge and fees were increasing to allow investment in people.

In considering the recommendation set out in the report, it was moved by Cllr Malcolm Treby, seconded by Cllr Sam Ross and:

RESOLVED that the 2022/23 External Audit Plan for the Council (as set out in Appendix 1 of the report) be endorsed.

10 EXTERNAL INDEPENDENT VALIDATION - ASSESSMENT OF THE INTERNAL AUDIT SERVICE CONFORMANCE WITH PUBLIC SECTOR INTERNAL AUDIT STANDARDS & CODE OF ETHICS

Andy Cox, Head of Audit and Assurance introduced the report and gave a presentation highlighting the following:

1. Internal Audit definition: independent assurance following a systematic disciplined approach.
2. Statutory Requirements: Local Government Finance Act 1972 (Section 151 Officer) and Accounts and Audit Regulations 2015.
3. The role and responsibility of the internal audit was to provide independent assurance.
4. International Professional Practices Framework (IPPF) – core principles and code of ethics. International standards for the professional practice of internal audit.
5. The Public Sector Internal Audit Standards (PSIAS) required an external assessment to be conducted at least once every five years by a qualified, independent assessor.
6. External Review of Audit West Self-Assessment was carried out in January 2023. The overall opinion was that the service “generally conforms” which was the top level of rating.
7. 4 areas were identified for further attention:
    a. Benefit in a more formal capture of any identified improvement in a single Quality Assurance Implementation Plan (QAIP) to promote clear tracking.
    b. Value in targeting specific areas of the standards of a 4-year period.
    c. In addition to the PSIAs/ Code of Ethics, the self-assessment exercise should also consider compliance with relevant CIPFA Local Government Application Notes.
    d. The development of Assurance Maps for clients.
8. As a result of the recommendations a QAIP had been compiled and would include assurance mapping as an action.
9. It was likely that revised Global Internal Audit Standards would be adopted by the end of the 2023/24 Financial Year and so an action to assess against standards would be delayed until the new standards were in place.

In response to Member questioning, it was confirmed that:

1. The implementation of recommendations would be monitored through the Quality Assurance Implementation Plan.
2. There would be an annual update.

In considering the recommendations set out in the report it was moved by Cllr Sam Ross, seconded by Cllr Malcolm Treby and:

RESOLVED that the conclusion of the external assessment be noted.

11 AUDIT & ASSURANCE ANNUAL REPORT 2022/23

Andy Cox, Head of Audit and Assurance introduced the report and drew attention to the following:

1. The Terms of Reference of the Corporate Audit Committee included the approval of the Internal Audit Plan which was currently brought to members at the beginning of the financial year.
2. Internal Audit planned work during 2022/23 included:
    a. 34 audit reviews
    b. Follow up reviews
    c. Annual governance review
    d. Counter fraud work
    e. Grant certification work
    f. Financial assessments
3. Of the 34 reviews:
    a. 24 were complete
    b. 15 final and 3 draft ‘assurance’ audit reports had been issued
    c. 6 ‘briefing’ reports had been prepared
    d. 3 reviews were ongoing
    e. 7 reviews were remaining of which 5 were agreed to be carried forward into the 2023/24 Audit Plan
4. There were 5 levels of assurance - all but 5 of the audits completed had an overall audit opinion of satisfactory to excellent (between ‘Level 3’ and ‘Level 5’)
5. There were 5 areas with “limited assurance”
    a. Section 106 use of funding within timescales – as reported to November meeting
    b. Community Equipment Store asset management – as reported to November meeting
    c. Avon Pension Fund Systems Access Controls – now implemented and green RAG rating
    d. Payroll – processing of timesheet generated pay – actions had been agreed for implementation.
    e. Payroll – “Travel perk” system – this system for booking travel/accommodation for staff had been incorrectly used to book accommodation for homeless people. The spend was not improper but should have not been included as part of the Travel Perk system and had resulted in the cost of staff travel/accommodation appearing higher than it was. Actions had been identified for implementation.
6. Follow up reviews:
    a. 14 follow up reviews
    b. 9 reviews - significant progress had been made in implementing recommendations
    c. 5 reviews - partial implementation of the recommendations but further enquiries in May / June 2023 identified further progress in implementing recommendations

7. Annual Governance Review: there were 2 issues in 22/23:
    a. Financial Challenge – e.g., inflationary pressures
    b. Children's Services – pressures e.g., SEND.
8. Counter Fraud work - Work was carried out to update the Council's Counter Fraud Strategy and associated policies.
9. Grant Certification - Assurance work had been carried out for 25 grant funded projects/activities to provide assurance that the Council had complied with grant expenditure terms and conditions.
10. The Chief Audit Executive was required to give an opinion on the internal control framework and the opinion provided did not raise any significant concerns.

Members raised the following comments/questions:
1. It would be useful to know what an internal audit felt like for those being audited.
2. Concern that those affected by the processing of timesheet generated pay were likely to be those in lower paid jobs and would be expected to pay back money for overpayments caused by a system failure.
3. Request that Members be given the opportunity to scrutinise the Travel Perk figures for this year and previous years in more detail as it was not clear how much money was spent on staff travel/accommodation and how much on accommodation for homeless people. It was agreed that this would be followed up after the meeting.

It was moved by Cllr Sam Ross, seconded by Cllr Malcolm Treby and:

RESOLVED that the Internal Audit Annual Report 2022/23 and formal opinion on the internal control framework be noted.

12 2022-23 TREASURY MANAGEMENT OUTTURN REPORT

Gary Adams, Head of Financial Management introduced the report and drew attention to the following:
1. A treasury management training session had been held for Members and recorded so that any members unable to attend could watch the session.
2. The treasury management outturn report would also be submitted to Cabinet and full Council.
3. Summary on Returns:
    a. The reduction in investment balances over the year included the unwinding of government support grants the Council received during the pandemic, distribution of the energy rebate grant prepayment and capital project spend made in advance of borrowing.
    b. Gross interest earned on investments totalled £1.38m. Investments were at 2.09% which was slightly below the benchmark of 2.30%. This was mainly due to existing short-term loans being locked in at a lower rate prior to the Bank of England base rate rises.
4. Borrowing:
    a. The Council's external borrowing as at 31 March 2023 totalled £210.25m.
    b. Due to the levels of cash balances held by the Council, no new borrowing had been taken out during the year.

5. Appendix 5 detailed the Council's Treasury Management Advisor's (Arlingclose) Economic & Market Review which listed factors such as the impact of the war in Ukraine, Bank of England interest rate increasing.
6. Appendix 8 was an extract from the Treasury Management Risk Register identifying the top 5 risks.

In response to Members questions, it was confirmed that:

1. The impact of Brexit was difficult to quantify but mainly related to trade, freedom and availability of goods.
2. In relation to Lender Option Borrower Option (LOBO) loans, the earliest date on which the lender could require payment was at 6 monthly intervals for the £20m of LOBO's. The Council would consider repaying these loans if the Lenders exercised their options to alter the interest rate, which had remained at 4.5% for the last 20 years. The next option date is in October and early engagement was taking place with the lenders.
3. In relation to Interest & Capital Financing Costs, Members noted the year end position of £2.8m under budget and would like more information to understand the term "virement" at a future meeting.
4. Officers regularly checked the banks/markets and used flexibility in strategies where necessary and so were as proactive as possible in treasury management.

In considering the recommendation set out in the report, it was moved by Cllr Malcolm Treby, seconded by Cllr Sam Ross and:

RESOLVED that

1. The Treasury Management Report to 31 March 2023, prepared in accordance with the CIPFA Treasury Code of Practice, be noted.
2. The Treasury Management Indicators to 31 March 2023 be noted**.**

13 CORPORATE AUDIT COMMITTEE ANNUAL REPORT 2022/23

Andy Cox introduced the Corporate Audit Committee Annual Report and confirmed that the report was presented to the previous Chair who confirmed that it accurately recorded the work of the Committee for the 2022/23 Financial Year.

Jon Roberts asked for two minor amendments to the terms of reference:

1. Function 3 "To ~~approve~~ note the External Auditors' Audit Plan and to monitor its delivery and effectiveness during the year."
2. Function 8 "To consider the ~~annual Audit & Inspection Letter~~ Auditor's Annual Report from the External Auditor and to monitor progress on accepted recommendations.

In response to questions, it was confirmed:

1. A documented workplan for the Committee would be compiled by Democratic Services.
2. The link to the information in relation to the Aequus structure and business plan (Council 25 March 2022) would be circulated to Members.

In terms of dates/times for future meetings, it was noted that a Member had requested a later start time due to work commitments. Following a discussion, it was agreed that 4pm was the best compromise to balance daytime and evening commitments. It could be a possibility to hold some meetings in Keynsham Community Space if this would assist Member availability. It was also noted that there was not much flexibility in terms of rearranging the dates of meetings due to auditing deadlines.

It was moved by Cllr Sam Ross, seconded by Cllr Malcolm Treby and:

RESOLVED

1. that the Annual Report (Appendix 1 of the report) be agreed subject to the amendments to the terms of reference:
    a. Function 3 "To ~~approve~~ note the External Auditors' Audit Plan and to monitor its delivery and effectiveness during the year."
    b. Function 8 "To consider the ~~annual Audit & Inspection Letter~~ Auditor's Annual Report from the External Auditor and to monitor progress on accepted recommendations.
2. that the Chair of the Committee present it to the next meeting of Council

The meeting ended at 6.30 pm

Chair(person) ....

Date Confirmed and Signed ....

Prepared by Democratic Services

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Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	1st November 2023	**AGENDA ITEM NUMBER**
TITLE:	Council Company Aequus (ADL, ACL & AGHL) Annual Accounts 2022/23	
WARD:	ALL	
AN OPEN PUBLIC ITEM		

List of attachments to this report:

Appendix 1 - ADL Signed Annual Accounts 2022/23

Appendix 2 - ACL Signed Annual Accounts 2022/23

Appendix 3 – AGHL Signed Annual Accounts 2022/23

1 THE ISSUE

1.1 This report is to provide the Committee with the final approved and signed accounts for Aequus Developments Ltd (ADL), Aequus Construction Ltd (ACL) & Aequus Group Holding Limited (AGHL) for 2022/23.

2 RECOMMENDATION

2.1 In line with the Committees Terms of Reference the Corporate Audit Committee notes on behalf of the Council the audited accounts of ADL, ACL & AGHL (Council wholly owned companies).

3 THE REPORT

ADL Statutory Accounts 2022/23

3.1 The ADL Profit before taxation for the year was £217,035 including gains on revaluation of investment property of £63,016 and unrealised pension costs of £156,000 as a result of the IAS19 accounting standards which reports current service costs, admin and interest expenses. 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.

3.2 7 One property at Parsonage Lane, Bath was transferred back to the Council for use as affordable housing on the 31st March 2023. The were no new properties transferred from the Council to ADL during the financial year.

3.3 Council revenue returns from ADL for the year totalled £95k from commercial interest payments on asset backed loans.

3.4 Full details of the company performance for the year are covered in the Directors Report on pages 4 to 6 of the ADL accounts attached at Appendix 1.

ACL Statutory Accounts 2022/23

3.5 The ACL Profit before taxation for the year is £353,422 with sales income of £4.2m from the completion of 7 units at St Josephs Court (Sladebrook Road), Bath and £2.2m from the refurbished of 7 apartments at 117 Newbridge Hill, Bath that were sold back to B&NES Council for affordable homes for social rent. Turnover reached over £8.1m including support to develop planning applications and project management services for future development sites for South Gloucestershire Council and B&NES Council.

3.6 Council revenue returns for the year of £905k includes commercial interest payments on development loans of £57k and a dividend payment of £848k. Dividend payments for the financial years 2020/21 and 2021/22 of £1.169m was paid during this financial year.

3.7 Council capital finance returns include an increase in market asset valuation for 117 Newbridge Hill of £155k for the property purchase at £2,160k revalued at £2,315k.

3.8 Full details of the company performance for the year are covered in the Directors Report on pages 4 to 6 of the ACL accounts attached at Appendix 2.

AGHL Statutory Accounts 2022/23

3.9 As AGHL is purely an investment holding company profit before taxation for the year is net nil. Operational costs are kept to a minimum and paid via ACL to ensure that AGHL remains a thin company with no operational activity.

3.10 An interim dividend of £848k based on the financial outturn for 2022/23 was paid in October 2023. Dividends of £1,169,000 were paid during the financial years to meet the financial returns for 2020/21 and 2021/22.

3.11 Full details of the company performance for the year are covered in the Directors Report on pages 1 to 4 of the AGHL accounts attached at Appendix 3.

4 STATUTORY CONSIDERATIONS

4.1 Aequus is a wholly owned B&NES group of companies, established by the Executive in accordance with the powers set out under S1 of the Localism Act 2011(the general power of competence). The Council approved a Transfer Agreement with Aequus in January 2020 which provides for the transfer of development sites from the Council to the Company, to support the delivery of the Shareholder objectives and subject to Shareholder approval of development business cases.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

5.1 The approved Aequus Business Plan sets out the Company's financial assumptions and projections, including delivery against the Council's Medium Term Financial plan target of £1M of revenue returns each year.

6 RISK MANAGEMENT

6.1 A proportionate 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 Audit Committee has responsibility for ensuring the Council's Risk Management and Financial Governance framework is robust and effective.

7 EQUALITIES

7.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

8 CLIMATE CHANGE

8.1 The Company aims set out by the Council as sole Shareholder include the requirement to support the Council to meet its climate emergency objectives and best practice for property development. The Company's approved business plan addresses how the company will do this in detail, including the use of the AECB Building Standard as the benchmark for all new Aequus housing developments.

9 OTHER OPTIONS CONSIDERED

9.1 No other options to consider related to this report.

10 CONSULTATION

10.1 The Council's Section 151 Officer has had the opportunity to input to this report and has cleared it for publication.

Contact person	*Andy Rothery (01225 477103); Tim Richens Managing & Finance Director Aequus*
Background papers	
Please contact the report author if you need to access this report in an alternative format	

Company registration number: 10060817

Aequus Developments Limited
Annual Report and Financial Statements
Year Ended 31 March 2023

Company registration number: 10060817

Aequus Developments Limited

Financial Statements

Year Ended 31 March 2023

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Aequus Developments Limited

Company Information

Year Ended 31 March 2023

Company registration number	10060817
Directors	C D Gerrish L J Kew R H Marshall T Richens A W Wright M Hyde D P E Quilter E Pickering (Appointed 1 April 2022) V O'Brien (Appointed 14 April 2023)
Registered office	Cambridge House Henry Street Bath BA1 1BT
Auditor	Bishop Fleming LLP Chartered Accountants and Statutory Auditors 10 Temple Back Bristol BS1 6FL

Aequus Developments Limited

Directors' Report

Year Ended 31 March 2023

The directors present their report with the financial statements of the company for the year ended 31 March 2023.

Principal activity
The principal activity of the company in the year under review was that of a property asset investment and rental company.

Review of Business
We are pleased to present this Annual Report, which focuses on the business of Aequus Developments Limited (ADL), a property asset investment and rental company. ADL is a wholly owned subsidiary of Aequus Group Holding Limited (AGHL) and is dedicated to providing rental homes for the community in partnership with Bath & North East Somerset Council (B&NES Council).

During the seventh year of operation, we have continued to develop and maintain a sustainable business, benefiting our shareholder and, most importantly, providing rental homes for the community. Our rental income levels have remained healthy, and we regularly review and adjust rents as necessary when there is a change of tenant. Independent external valuations have been conducted to reflect current market valuations for a sample of properties in our portfolio.

Void levels (unoccupied properties) were at 4.53% during the year, and we expect them to remain within the target of 5% as the size of our portfolio increases in the future. No new properties were transferred from B&NES Council this year, but we returned the flat at 7 Parsonage Lane to B&NES for social housing purposes. Our current property portfolio consists of 51 units.

We have also been working with B&NES to explore the potential of repurposing void properties within its commercial estate for future residential and other uses.
As a group of companies, we are actively collaborating with our Shareholder and partners on the housing pipeline in line with our approved three-year Business Plan (2021/22 to 2023/24). We will continue developing this pipeline in preparation for our next Business Plan in Autumn 2023.

Financial performance
In the 2022/23 fiscal year, our total turnover was £1,538,432. This includes service income of £1,003,940, primarily from ADL staff providing management and project management services to ACL and rental income of £534,492 (which will continue to grow as the portfolio expands).

Our profit before tax for 2022/23 was £217,035, including gains on revaluation of investment property amounting to £63,016 offset by costs of £156,000 related to the defined pension benefit scheme. We returned commercial interest of £95,398 to B&NES Council for loans pertaining to previously transferred properties.

We are pleased with our solid financial performance for the year, which gives us confidence for the future. Our Executive team is actively seeking opportunities to sustain and where possible, grow the business within an increasingly challenging economic outlook, particularly in terms of inflation and debt interest rates.
Although the outlook for the rental market remains positive, ADL's ability to grow is dependent on the future pipeline. The Board will monitor this situation regularly and provide updates to the shareholder accordingly.

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

Directors' Report

Year Ended 31 March 2023

Directors of the company
The directors shown below have held office during the whole of the period from 1 April 2022 to the date of this report.

C D Gerrish
L J Kew
R H Marshall
T Richens
A W Wright
M Hyde
D P E Quilter (Appointed 1 April 2022)
E Pickering (Appointed 1 April 2022)

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 16 to the financial statements.

Statement of directors' responsibilities
The directors are responsible for preparing the directors' report 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 (IFRS) and applicable law. 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 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 to 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.

Disclosure of information to the 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.

Aequus Developments Limited

Directors' Report

Year Ended 31 March 2023

Auditors
The auditors, Bishop Fleming, 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:
2/10/23

Aequus Developments Limited

Independent Auditor's Report

Year Ended 31 March 2023

We have audited the financial statements of Aequus Developments Limited (the 'company') for the year ended 31 March 2023 which comprise the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023, and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 2 to the financial statements, the company in addition to complying with its legal obligation to apply UK-adopted international accounting standards, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements give a true and fair view of the financial position of the company as at 31 March 2023 and of its financial performance and its cash flows for the year then ended in accordance with IFRSs as issued by the IASB.

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 Auditor 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the directors' report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the directors' report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves.

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report 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 directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, 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 is 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.

Auditor 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 an auditor's report 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We have considered the nature of the sector, control environment and financial procedures;
- We have considered the results of enquiries with management and trustees in relation to their own identification of the risk of irregularities within the entity;
- We have reviewed the documentation of key processes and controls and performed walkthroughs of transactions to confirm that the systems are operating in line with documentation.

As a result of these procedures, we have considered the opportunities and incentives that may exist within the organisation for fraud and identified the highest area of risk to be in relation to revenue recognition, with a particular risk in relation to year end cut off. In common with all audits under ISAs (UK) we are also required to perform specific procedures to respond to the risk of management override. We have also obtained understanding of the legal and regulatory frameworks that the company operates in, focusing on provisions of those law and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context include the UK Companies Act, IFRS and UK tax legislation. In addition, we considered the provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or avoid a material penalty.

Our procedures to respond to risks identified included the following:

- Reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having direct effect on the financial statements;
- Performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Reviewing board meeting minutes;
- Enquiring of management in relation to actual and potential claims or litigations;
- Performing detailed transactional testing in relation to the recognition of revenue with a particular focus around year-end cut off; and
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in accounting estimates are indicative of potential bias; and evaluating the business rationale of significant transactions that are unusual or outside the normal course of business.

We also communicated identified laws and regulations and potential fraud risks to all members of the engagement team and remained alert to possible indicators of fraud or non-compliance with laws and regulations throughout the audit.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at:https://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor%E2%80%99s-responsibilities-for. This description forms part of our auditor's report.

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 an auditor's report 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.

Bishop Fleming LLP

Nathan Coughlin
For and on behalf of
Bishop Fleming LLP
Chartered Accountants
Statutory Auditors
10 Temple Back
Bristol
BS1 6FL

Date 17 October 2023

Aequus Developments Limited

Statement of Profit or Loss and Other Comprehensive Income

Year Ended 31 March 2023

	Note	2023 £	2022 £
Revenue	4	**1,538,432**	1,348,065
Cost of sales		**(194,710)**	(156,393)
Gross profit		**1,343,722**	1,191,672
Other operating income		**-**	4,597
Administrative expenses		**(1,055,305)**	(1,039,729)
Gain on revaluation of investment property	10	**63,016**	283,952
Profit from operations		**351,433**	435,895
Finance expense	8	**(134,398)**	(114,288)
Profit before taxation		**217,035**	321,607
Taxation	9	**(39,457)**	(23,560)
Profit for the year		**177,578**	298,047
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Re-measurement gain/(loss) on defined benefit pension plan	14	**1,428,000**	294,000
Tax relating to items that will not be reclassified	9	**(357,000)**	(73,500)
Other comprehensive income for the year		**1,071,000**	220,500
Total comprehensive income for the year		**1,248,578**	518,547

Aequus Developments Limited

Statement of Financial Position

Year Ended 31 March 2023

	Note	2023 £	2022 £
Non-current assets			
Long term leasehold property	10	8,046,017	8,135,748
Investments	17	-	100
		8,046,017	8,135,848
Current assets			
Trade and other receivables	11	127,931	111,043
Cash and cash equivalents	19	185,085	112,437
		313,016	223,480
Current liabilities			
Trade and other payables	12	(270,374)	(370,211)
Borrowings	13	(55,317)	(92,419)
Current tax liabilities	9	(49,384)	(34,938)
Net current (liabilities)		(62,059)	(274,088)
Total assets less current liabilities		7,983,958	7,861,760
Non-current liabilities			
Borrowings	13	(5,917,174)	(6,048,526)
Deferred tax	9	(381,170)	(34,097)
Retirement benefit obligation	14	(68,000)	(1,410,000)
Total non-current liabilities		(6,366,344)	(7,492,623)
Net assets / (liabilities)		1,617,614	369,137
Equity			
Share capital		100	100
Revaluation reserve		64,736	1,703,465
Pension reserve		156,690	(914,310)
Retained earnings		1,396,088	(420,118)
		1,617,614	369,137

The financial statements were approved and authorised for issue by the Board on

Signed on behalf of the board of directors

C D Gerrish, Director
2/10/23

T Richens, Director
2/10/23

The notes on pages 15 to 29 form part of these accounts.
Company registration number: 10060817

Aequus Developments Limited

Statement of Changes in Equity

Year Ended 31 March 2023

	Share capital	Revaluation reserve	Retained earnings	Pension reserve	Total equity
	£	£	£	£	£
Balance at 1 April 2021	100	1,319,936	(334,636)	(1,134,810)	(149,410)
Profit for the year	-	-	298,047	-	298,047
Revaluation of tangible fixed assets	-	383,529	(383,529)	-	-
Re-measurement on defined benefit pension plan	-	-	-	220,500	220,500
Balance at 31 March 2022	100	1,703,465	(420,118)	(914,310)	369,137
Profit for the year	-	-	177,578	-	177,578
Revaluation of tangible fixed assets	-	64,736	(64,736)	-	-
Re-measurement on defined benefit pension plan	-	-	-	1,071,000	1,071,000
Transfer of ACL shares to AGHL	-	-	(100)	-	(100)
Bonus issue of shares	1,703,465	(1,703,465)	-	-	-
Share capital reduction	(1,703,465)	-	1,703,465	-	-
Balance at 31 March 2023	**100**	**64,736**	**1,396,089**	**156,690**	**1,617,614**

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Aequus Developments Limited

Statement of Cash Flows

Year Ended 31 March 2023

	Note	2023 £	2022 £
Cash generated from operations	20	193,500	215,654
Interest paid		(95,398)	(81,288)
Net cash flow from operating activities		**98,102**	134,366
Cash flow from investing activities			
Purchase of investment property		-	(8,781)
Sale of investment property		143,000	-
Net cash flow from investing activities		**143,000**	(8,781)
Cash flow from financing activities			
Receipts from issue of new long-term loans		-	17,899
Repayment of long term loans		(168,454)	(144,299)
Interest paid		-	-
Net cash flow from financing activities		**(168,454)**	(126,400)
Net (decrease) / increase in cash and cash equivalents		72,648	(815)
Cash and cash equivalents at 1 April	19	112,437	113,252
Cash and cash equivalents at 31 March		**185,085**	112,437

Cash and cash equivalents consists of:			
Cash at bank and in hand	19	185,085	112,437
Cash and cash equivalents at 31 March		**185,085**	112,437

Aequus Developments Limited

Notes to the Financial Statements

Year Ended 31 March 2023

1 Statutory information

Aequus Developments Limited is a private company limited by shares incorporated in the United Kingdom and registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page. The nature of the company's operations and principal activities are that of an investment property company.

2 Accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards including standards and interpretations issued by the International Accounting Standards Board and in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006. They have been prepared using the historical cost convention except that as disclosed in the accounting policies below certain items, including investment properties, derivatives, and some investments, are shown at fair value.

The financial statements are presented in sterling which is the functional currency of the company and rounded to the nearest pound.

2.2 Preparation of consolidated financial statements

The financial statements contain information about Aequus Developments Limited as an individual company and do not contain consolidated financial information as the part of a group. The company is exempt under Section 399(2A) of the Companies Act 2006 from the requirements to prepare consolidated financial statements.

2.4 Changes in accounting policies

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective. As yet, none of these have been endorsed for use in the UK and will not be adopted until such time as endorsement is confirmed.

Reference to the Conceptual Framework (Amendments to IFRS3 Business Combinations)

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS37 Provisions, Contingent Liabilities and Contingent Assets)

Annual improvements 2018-2020 cycle

IFRS 17 Insurance contracts

Amendments to IFRS17 – Insurance Contracts; and Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4 Insurance Contracts)

Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements)

Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)

Classification of Liabilities as Current or Non-Current: amendments to IAS 1

2.5 Revenue recognition

Rental income from operating leases on investment property is accounted for on a straight-line basis over the lease term except for contingent rental income which is recognised when it arises.

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.

2.5 Revenue recognition (continued)

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.

Income arising from expenses recharged to tenants is recognised in the period in which the compensation becomes receivable.

Service and management charges provided to group companies and other parties are recognised in the period in which the services are provided in accordance with the stage of completion of the work contracted.

2.6 Investment properties

Investment properties are initially measured at cost and subsequently each year re-measured at fair value. Gains or losses arising from changes in fair values of investment properties are included in profit or loss in the period in which they arise.

An external property valuation will be carried out on the full portfolio every four years and in the interim an external valuation based on a sample of properties across the portfolio.

2.7 Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and time, call and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. This definition is also used for the statement of cash flows.

2.8 Borrowings

Borrowings are classified as current liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.9 Borrowing costs

Borrowing costs are recognised on an accruals basis. Included in borrowing costs is the amortisation of fees associated with the arrangement of financing. The company pays and received 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.

2.10 Government grants

Government grant income is accounted for under the accruals model and is recognised in the period in which it becomes receivable, shown in the income statement under other income, matched against expenditure incurred under the accruals concept.

2.11 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.

Deferred tax is provided on items that may become taxable in the future, or which may be used to offset against taxable profits in the future, on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes on an undiscounted basis.

Deferred tax assets and liabilities are offset when their 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.

Aequus Developments Limited

Notes to the Financial Statements

Year Ended 31 March 2023

2.12 Employee benefit costs

Retirement benefits to employees of the company are provided by the Local Government Pension Scheme (LGPS). This is a defined benefit scheme.

The LGPS is a funded multi-employer scheme and the assets are held separately from those of the company in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability / asset is also recognised in the profit or loss and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

2.13 Financial instruments

Debtors and creditors are initially recognised at fair value and subsequently measured at amortised cost and discounted as appropriate. For trade receivables, the company applies the simplified approach permitted by IFRS 9, which required expected lifetime losses to be recognised from initial recognition of the receivables.

At the end of each reporting period, financial assets are assessed for impairment. Impairments and reversals of impairments are recognised in profit and loss.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.14 Going concern

Based on the information available, including the approved three year Business Plan 2021/22 to 2023/24 the Directors see no issues relating to the going concern status of the company.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. If in the future such estimates and assumptions which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change. Where necessary, the comparatives have been reclassified or extended from the previously reported results to take into account presentational changes.

There are no key accounting judgements (excluding estimates). The key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are in connection with the valuation of investment property and the valuation of pension liabilities.

Valuation of property – The fair value of investment property is determined by real estate valuation experts using recognised valuation techniques and the principles of IFRS13.

Defined pension liabilities – Note 14 contains the principal assumptions underlying the valuation of defined benefit pension liabilities. These assumptions were set out on the advice of the scheme's actuaries having regard to current market conditions, past history and factors specific to the scheme.

4 Revenue from contracts with customers

An analysis of the company's revenue for the year, all of which was generated in the United Kingdom, is as follows:

Revenue from contracts with customers	**2023** **£**	2022 £
Rental income	**534,492**	515,468
Service and management	**1,003,940**	832,597
	1,583,432	1,348,065

Assets and liabilities related to contracts with customers

The company as recognised the following liabilities related to contracts with customers:

	2023 **£**	2022 £
Deferred revenue – rental income	**23,189**	21,562
Total current contract liabilities	**23,189**	21,562

5 Auditor's remuneration

	2023 **£**	2022 £
Fees payable to the company's auditor for the audit of the company's annual accounts	**18,500**	17,500
Fees payable to the company's auditor for other services:		
Other services	**2,000**	2,000
	20,500	19,500

6 Directors' remuneration

	2023 **£**	2022 £
Remuneration	**318,267**	302,329
	318,267	302,329

The remuneration of the highest paid director included above was:	**2023** **£**	2022 £
Emoluments	**149,311**	142,330
	149,311	142,330

6 **Directors' remuneration (continued)**

During the year two directors (2022: two) were accruing benefits under defined benefit pension schemes.

7 **Staff costs**

The average monthly number of employees, including directors, during the year was as follows:

	2023 Number	2022 Number
Directors	**8**	8
Administration	**8**	7
	16	15

The aggregate payroll costs of these persons were as follows:

	2023 £	2022 £
Wages and salaries	**733,907**	607,099
Social security	**92,008**	71,508
Other pension costs	**12,562**	5,769
	838,477	684,376

8 **Finance expense**

	2023 £	2022 £
Interest on loans	**95,398**	81,288
Interest on pension schemes	**39,000**	33,000
Total interest expense	**134,398**	114,288

9 Income taxes

9.1 Income tax recognised in profit or loss

	2023 £	2022 £
Tax expense comprises:		
Current tax expense in respect of the current year	49,384	34,938
	49,384	34,938
Deferred tax		
Origination and reversal of timing differences	(9,927)	(2,529)
Effect of tax rate change on opening balance	-	(8,849)
Total deferred tax	(9,927)	(11,378)
Total tax expense in statement of profit or loss	39,457	23,560

	2023 £	2022 £
Profit before tax	217,035	321,607
Tax on profit at 19%	41,237	61,105
Effects of:		
Income not taxable for tax purposes	(11,973)	(53,951)
Expenses not deductible for tax purposes	2,936	4,237
Amounts (charged) / credited directly to statement of changes in equity	271,320	55,860
Chargeable gains / (losses)	9,639	48,574
Deferred tax (charged)/credited directly to OCI	(357,000)	(73,500)
Remeasurement of deferred tax for changes in tax rates	83,298	8,183
Movement in deferred tax not recognised	-	(26,948)
Income tax expense recognised in profit or loss	39,457	23,560

The tax rate used for the 2023 and 2022 reconciliations above is the corporate tax rate of 19% payable by corporate entities on taxable profits under tax law in that jurisdiction.

9.2 Deferred tax balances

	2023 £	2022 £
Balance at 1 April	34,097	(28,025)
Deferred tax credited to profit and loss account for the period	(9,927)	(11,378)
Charged / (credited) to other comprehensive income	357,000	73,500
Balance at 31 March	381,170	34,097

10 Long term leasehold property

At fair value	2023 £	2022 £
Balance at 1 April	**8,135,748**	7,858,698
Additions through subsequent expenditure	-	8,781
Disposals	**(152,747)**	(15,683)
Net gain from fair value adjustments	**63,016**	283,952
Balance at 31 March	**8,046,017**	8,135,748

The fair value of properties is reviewed annually by an independent qualified valuer, with the last review being in 2023.

11 Trade and other receivables

	2023 £	2022 £
Trade receivables	-	-
Amounts due from related party transactions	**118,319**	110,666
Prepayments	**8,330**	-
Other debtors	**1,282**	377
	127,931	111,043

12 Trade and other payables

	2023 £	2022 £
Trade payables	**6,888**	29,521
Amounts owed to group undertakings	**11,940**	102,428
Social security and other taxes	**32,581**	28,682
Other creditors	**(937)**	(938)
Accruals and deferred income	**171,472**	175,602
VAT	**48,430**	34,916
	270,374	370,211

13 Borrowings

	Current		Non-current	
	2023	2022	2023	2022
	£	£	£	£
Bank loans	-	-	-	-
Intercompany loans	**55,317**	92,419	**5,917,174**	6,048,526
	55,317	92,419	**5,918,099**	6,048,526

Terms and debt repayments schedule

	1 year or less	1-2 years	2-5 year	More than 5 years	Total
	£	£	£	£	£
Intercompany loans	55,317	42,041	138,007	5,737,126	5,972,491
	55,317	42,041	138,007	5,737,126	5,972,491

14 Retirement benefit plans

To assess the value of the Employer's liabilities as at 31 March 2023, the actuaries have rolled forward the value of the Employer's liabilities calculated for the latest Triennial valuation allowing for the different financial assumptions required under IAS19.

The full actuarial valuation involved projecting future cash flows to be paid from the Fund and placing a value on them. These cash flows include pensions currently being paid to members of the Scheme as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2023 without completing a full valuation. However, the actuaries are satisfied that the approach of rolling forward the previous valuation data to 31 March 2023 should not introduce any material distortions in the results provided that the actual experience of the Employer and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as the latest formal valuation. The contributions expected to be paid in the year to 31 March 2024 are £70,000.

As required under IAS19, pension fund liabilities and service costs have been calculated using the Project Unit method of valuation.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2023	2022
	%	%
Discount rate	4.80	2.80
Future salary increases	4.20	4.70
Future pension increases	2.80	3.30
CPI inflation	2.70	3.20

14 Retirement benefit plans (continued)

Average longevity at retirement age for current pensioners and employees is:

	2023
Future pensioners age 65 in 20 years' time (male)	23.7
Future pensioners age 65 in 20 years' time (female)	26.4
Current pensioner aged 65 (male)	22.4
Current pensioner aged 65 (female)	24.4

The sensitivity regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumption at 31 March 2023	Approximate monetary amount (£)
0.5% increase in discount rate	(211,000)
0.25% increase in inflation	115,000
0.25% increase in salary growth	37,000
1 year increase in life expectancy	44,000

Amounts recognised through profit and loss in respect of these defined benefit plans are as follows:

	2023	2022
	£	£
Current service cost	**115,000**	167,000
Administration expenses	**2,000**	2,000
Interest on obligation	**39,000**	33,000
Components of defined benefit costs recognised in profit or loss	**156,000**	202,000

Amounts recognised in other comprehensive income in respect of these defined benefit plans are as follows:

	2023	2022
	£	£
Actuarial (gains)/losses	**(1,428,000)**	(294,000)
Income tax	**357,000**	73,500
Total	**(1,071,000)**	(220,500)

14 Retirement benefit plans (continued)

The amount included in the statement of financial position arising from the entity's obligation in respect of its defined benefit plan is as follows:

	2023 £	2022 £
Present value of funded defined benefit obligation	2,399,000	4,021,000
Fair value of plan assets	(2,331,000)	(2,611,000)
Present value of unfunded defined benefit obligation	68,000	1,410,000

Movements in the present value of the defined benefit obligation in the current period were as follows:

	2023 £	2022 £
Opening defined benefit obligation	4,021,000	3,845,000
Current service cost	115,000	167,000
Interest cost	114,000	84,000
Contributions from plan participants	35,000	39,000
Actuarial losses/ (gains) arising from:		
- Changes in demographic assumptions	(80,000)	(31,000)
- Changes in financial assumptions	(1,741,000)	(90,000)
- Experience adjustments	(62,000)	7,000
	2,399,000	4,021,000

Movements in the present value of the plan assets in the current period were as follows:

	2023 £	2022 £
Opening fair value of plan assets	2,611,000	2,266,000
Interest on plan assets	75,000	51,000
Remeasurements (assets)	(455,000)	180,000
Administration expenses	(2,000)	(2,000)
Contributions from the employer	70,000	77,000
Contributions from plan participants	35,000	39,000
Benefits/transfers paid	(3,000)	-
Closing fair value of plan assets	2,331,000	2,611,000

14 Retirement benefit plans (continued)

The major categories of plan assets as amounts of total scheme assets are as follows:

	2023 £	2022 £
Equities	**813,000**	1,060,000
Bonds	**656,000**	519,000
Property	**150,000**	174,000
Alternatives	**668,000**	817,000
Cash Accounts	**44,000**	41,000
Closing fair value of plan assets	**2,331,000**	2,611,000

15 Issued capital

	2023 £	2022 £
100 fully paid up ordinary £1 shares	**100**	100

All shares rank equally in regards to voting rights. The shares have a nominal value of £1 and were issued at par. All shares rank equally in regards to dividends. All shares rank in proportion to the nominal amount paid up with regards to distributions on winding up or other repayment of capital.

16 Financial instruments

The 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 amount of each category of financial assets and liabilities:

	2023 £	2022 £
Financial assets		
Financial assets measured at amortised cost	**119,601**	111,043
Cash and cash equivalents	**185,085**	105,440
	304,686	216,483

16 Financial instruments (continued)

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

	2023 £	2022 £
Financial liabilities		
Financial liabilities measured at amortised cost	(198,755)	(285,051)
Loans	(5,972,491)	(6,140,945)
	(6,171,246)	(6,425,996)

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

Interest is charged on the amounts borrowed from the company's parent at a rate of 1% above the base rate (the EC reference rate) and is payable at 6 monthly intervals. The amounts borrowed from the parent are secured by fixed and floating charges over the investment property held by the company.

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 sole 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. At 31 March 2023 the company's borrowings were in the region of £6.0m (2022: £6.1m) and it is therefore estimated that a general change of one percentage point in the interest rate would affect profit before tax by approximately £60,000 (2022: £61,000).
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.

16 Financial instruments (continued)

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

	2024	2025	2026 to 2028	2029 and thereafter
	£	£	£	£
Trade payables	6,888			
Other financial liabilities	456,103	309,066	618,133	12,962,011

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 2023.

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.

17 Investments

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

	2023	2022
	£	£
Cost	-	100
Net book value	-	100

The entity previously held shares in Aequus Construction Limited.

A group restructure was undertaken in year, with Aequus Group Holdings Limited now the immediate parent of both Aequus Construction Limited and Aequus Developments Limited, with Bath and North East Somerset Council (BANES) the ultimate parent undertaking above this.

As part of the group restructure, Aequus Developments Limited transferred its shares in Aequus Construction Limited to Aequus Group Holdings Limited. These shares were transferred at book value by way of a distribution in specie.

Aequus Developments Limited

Notes to the Financial Statements

Year Ended 31 March 2023

18 Related party transactions

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

	2023	2022
	£	£
Purchase of investment property	**-**	(17,899)
Other goods and services	**42,238**	(80,774)
Interest expense	**(95,398)**	(81,288)
Sales – Recharges	**73,541**	65,569
Property Disposal	**143,000**	-

Year end balances arising from loans received and other amounts from BANES amount to:

	2023	2022
	£	£
Loans payables to parent undertaking		
Due in less than one year	**(55,317)**	(92,419)
Due in more than one year	**(5,918,100)**	(6,048,526)
	(5,973,417)	(6,140,95)
Trade receivables	**3,925**	984
Trade payables	**-**	(86,590)

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

Transactions with Aequus Construction Limited (fellow subsidiary undertaking) amount to:

	2023	2022
	£	£
Sales – Recharges	**931,179**	767,028
Purchases – Recharged	**(9,950**	(15,886)
Purchases – Investment property	**-**	-

Year end balances arising from Aequus Construction Limited amount to:

	2023	2022
	£	£
Trade receivables	**113,609**	109,682
Trade payables	**(11,940)**	(15,838)

Remuneration of key management personnel

The remuneration of key management personnel is provided in note 6 as the directors represent key management personnel.

Aequus Developments Limited

Notes to the Financial Statements

Year Ended 31 March 2023

19 Cash and Cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	2023	2022
	£	£
Cash and bank balances	**185,085**	**112,437**
	185,085	**112,437**

20 Reconciliation of profit to cash flow from operating activities

	2023	2022
	£	£
Profit before taxation	**217,035**	321,607
Gain on revaluation of fixed assets	**(63,016)**	(283,952)
Pension costs	**81,302**	80,850
Finance expense	**134,398**	114,288
Operating profit / (loss)	**369,719**	232,793
Decrease / (Increase) in trade and other receivables	**(16,888)**	104,602
(Decrease) / Increase in trade and other payables	**(159,331)**	(121,741)
Cash flow from operating activities	**193,500**	215,654

21 Ultimate parent

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.bathnew.gov.uk/services/your-council-and-democracy/budgets-and-spending/annual-accounts

Company registration number: 10832066

Aequus Construction Limited
Annual Report and Financial Statements
Year Ended 31 March 2023

Company registration number: 10832066

Aequus Construction Limited

Financial Statements

Year Ended 31 March 2023

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Aequus Construction Limited

Company Information

Year Ended 31 March 2023

Company registration number	10832066
Directors	D P E Quilter T Richens C D Gerrish (Appointed 9 May 2022) M Hyde (Appointed 9 May 2022) L J Kew (Appointed 9 May 2022) R H Marshall (Appointed 9 May 2022) E Pickering (Appointed 9 May 2022) A W Wright (Appointed 9 May 2022) V O'Brien (Appointed 10 April 2023)
Registered office	Cambridge House Henry Street Bath BA1 1BT
Auditor	Bishop Fleming LLP Chartered Accountants and Statutory Auditors 10 Temple Back Bristol BS1 6FL

Aequus Construction Limited

Directors' Report

Year Ended 31 March 2023

The directors present their report with the financial statements of the company for the Year Ended 31 March 2023.

Principal Activity

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

Review of Business

We are pleased to present this Annual Report, which focuses on the business of Aequus Construction Limited (ACL), a housing development and construction company. ACL is a wholly owned subsidiary of Aequus Group Holdings Limited (AGHL) and is dedicated to providing homes for the community in partnership with Bath & North East Somerset Council (B&NES Council) and activity for our partner council (South Gloucestershire Council).

During the 6th year of operation, we have continued to develop and maintain a sustainable business, benefiting our shareholder and, most importantly, continued progress in our operations. We have successfully sold the remaining seven low-energy homes at our second development on Sladebrook Road, Bath. Additionally, we converted an ex-council office at 117 Newbridge Hill, Bath into seven apartments of a good standard, which have been acquired by B&NES Council for affordable social housing.

As part of our three-year Business Plan (2021/22 to 2023/24), approved by our shareholder, we are committed to meeting the objectives of delivering affordable and market housing. We are pleased to share that our joint-partnership arrangements with South Gloucestershire Council have progressed well. The development at Malmains Drive, Frenchay, under a sales and overage agreement, has commenced and will deliver 30 low-energy homes, including 11 affordable homes. We are also actively supporting future development sites in collaboration with South Gloucestershire Council.

The construction industry, as with the wider economy, has experienced high cost increases during the year however, inflation pressures are starting to ease as construction demand reduces and energy and fuel costs are stabilising, albeit at a higher level than in previous years. Whilst there is a little more certainty around cost management, rising interest rates may impact ACL's rate of borrowing to fund future developments and therefore fixing the interest rates at the outset may help to mitigate this risk.

There continues to be a shortage of quality new homes available and the outlook for the housing market remains cautiously optimistic, although a slowdown in the sales rate at Malmains Drive is expected due to the rising interest rates and mortgage deals being withdrawn from the market making it hard for buyers to borrow. The Board closely monitors these factors and provides regular updates to the Shareholder.

Financial Performance

In the financial year 2022/23, ACL achieved a total turnover of £8,056,920. This includes the sale of seven units at Sladebrook Road (£4,230,000), 117 Newbridge Hill (£2,160,000), and Development Management Services (£1,666,920). The profit before tax amounted to £353,422, primarily driven by the profit from the Sladebrook Road units and the 117 Newbridge Hill development.

B&NES Council revenue financial returns include £56,533 of interest and a proposed interim dividend of £848,000 to be paid to B&NES via Aequus Group Holdings Limited. A dividend of £1,169,000 relating to 2020/21 and 2021/22 was paid to B&NES during this financial year. In terms of capital financial returns, there was an increase in property value of 117 Newbridge Hill sold to B&NE's Council of £155,000.

Revenue and capital financial returns were made to our Partner South Gloucestershire Council during this financial year.

Looking ahead, B&NES Council targets revenue returns of £1 million from ADL and ACL for 2022/23. This will be met through anticipated interest returns and potential dividend payments.

We are pleased with our solid financial performance for the year, which gives us confidence for the future. Our Executive team is actively seeking opportunities to grow the business within an increasingly challenging economic outlook, particularly in terms of inflation and debt interest rates.

Aequus Construction Limited

Directors' Report

Year Ended 31 March 2023

Although the outlook for the housing market remains cautiously optimistic, ACL's ability to grow is dependent on the future pipeline. The Board will monitor this situation regularly and provide updates to the shareholder accordingly.

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 2022 to the date of this report.

- D P E Quilter
- T Richens

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 15 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, Bishop Fleming, 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: 2/10/23

Aequus Construction Limited

Independent Auditor's Report

Year Ended 31 March 2023

We have audited the financial statements of Aequus Construction Limited (the 'company') for the Year Ended 31 March 2023 which comprise the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023, and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 2 to the financial statements, the company in addition to complying with its legal obligation to apply UK-adopted international accounting standards, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements give a true and fair view of the financial position of the company as at 31 March 2023 and of its financial performance and its cash flows for the year then ended in accordance with IFRSs as issued by the IASB.

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 Auditor 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the directors' report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the directors' report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves.

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report 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 directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, 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 is 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.

Auditor 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 an auditor's report 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We have considered the nature of the sector, control environment and financial procedures;
- We have considered the results of enquiries with management and trustees in relation to their own identification of the risk of irregularities within the entity;
- We have reviewed the documentation of key processes and controls and performed walkthroughs of transactions to confirm that the systems are operating in line with documentation.

As a result of these procedures, we have considered the opportunities and incentives that may exist within the organisation for fraud and identified the highest area of risk to be in relation to revenue recognition, with a particular risk in relation to year end cut off. In common with all audits under ISAs (UK) we are also required to perform specific procedures to respond to the risk of management override. We have also obtained understanding of the legal and regulatory frameworks that the company operates in, focusing on provisions of those law and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context include the UK Companies Act, IFRS and UK tax legislation. In addition, we considered the provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or avoid a material penalty.

Our procedures to respond to risks identified included the following:

- Reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having direct effect on the financial statements;
- Performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Reviewing board meeting minutes;
- Enquiring of management in relation to actual and potential claims or litigations;
- Performing detailed transactional testing in relation to the recognition of revenue with a particular focus around year-end cut off; and
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in accounting estimates are indicative of potential bias; and evaluating the business rationale of significant transactions that are unusual or outside the normal course of business.

We also communicated identified laws and regulations and potential fraud risks to all members of the engagement team and remained alert to possible indicators of fraud or non-compliance with laws and regulations throughout the audit.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at:https://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor%E2%80%99s-responsibilities-for. This description forms part of our auditor's report.

Aequus Construction Limited

Independent Auditor's Report

Year Ended 31 March 2023

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 an auditor's report 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.

Bishop Fleming LLP

Nathan Coughlin
For and on behalf of
Bishop Fleming LLP
Chartered Accountants
Statutory Auditors
10 Temple Back
Bristol
BS1 6FL

Date 17 October 2023

Aequus Construction Limited

Statement of Profit or Loss and Other Comprehensive Income

Year Ended 31 March 2023

	Note	2023 £	2022 £
Revenue	4	8,056,920	5,556,680
Cost of sales		(7,234,721)	(4,578,517)
Gross profit		822,199	978,163
Other operating income		0	0
Administrative expenses		(499,493)	(506,609)
Profit from operations		322,706	471,554
Finance income		31,553	1,718
Finance expense		(837)	(5,293)
Profit before taxation		353,422	467,979
Taxation	7	(69,303)	(103,379)
Profit for the year		284,119	364,600
Other comprehensive income for the year		-	-
Total comprehensive income for the year		284,119	364,600

Aequus Construction Limited

Statement of Financial Position

Year Ended 31 March 2023

	Note	2023 £	2022 £
Non-current assets			
Owned: Property, plant and equipment	8	**36,693**	1,697
Right of use: Property, plant and equipment	12	**-**	-
		36,693	1,697
Current assets			
Inventories	9	**2,611,002**	4,598,470
Trade and other receivables	10	**143,517**	529,403
Cash and cash equivalents	17	**3,254,132**	2,898,763
Current tax assets		**-**	12,163
		6,008,651	8,038,799
Current liabilities			
Trade and other payables	11	**(1,568,644)**	(920,804)
Borrowings	13	**(1,634,749)**	(2,850,000)
Current tax liabilities		**(48,391)**	-
Net current assets		**2,756,867**	4,267,995
Total assets less current liabilities		**2,793,560**	4,269,692
Non-current liabilities			
Borrowings	13	**-**	(600,000)
Deferred tax	7	**(9,173)**	(424)
Total non-current liabilities		**(9,173)**	(600,424)
Net assets		**2,784,387**	3,669,268
Equity			
Share capital	14	**100**	100
Retained earnings		**2,784,287**	3,669,168
		2,784,387	3,669,268

The financial statements were approved and authorised for issue by the Board on

Signed on behalf of the Board of Directors

2/10/23

T Richens, Director

The notes on pages 15 to 26 form part of these accounts.

Company registration number: 10832066

Aequus Construction Limited

Statement of Changes in Equity

Year Ended 31 March 2023

	Share capital £	Retained earnings £	Total equity £
Balance at 1 April 2021	100	3,304,568	3,304,668
Profit for the year	-	364,600	364,600
Balance at 31 March 2022	100	3,669,168	3,669,268
Dividends	-	(1,169,000)	(1,169,000)
Profit for the year	-	284,119	284,119
Balance at 31 March 2023	**100**	**2,784,287**	**2,784,387**

Aequus Construction Limited

Statement of Cash Flows

Year Ended 31 March 2023

	Note	2023 £	2022 £
Cash generated from operations	18	3,345,597	940,030
Interest paid		-	(210,115)
Lease interest paid		-	-
Tax paid		-	(811,630)
Net cash flow from operating activities		**3,345,597**	(81,715)
Cash flow from investing activities			
Purchase of tangible fixed assets		(36,693)	-
Interest received		31,553	1,718
Net cash flow from investing activities		(5,140)	1,718
Cash flow from financing activities			
New loans in the year		1,634,749	600,000
Repayment of long term loans		(3,450,000)	(2,406,496)
Dividends paid		(1,169,000)	-
Interest paid		(837)	-
Net cash flow from financing activities		(2,985,088)	(1,806,496)
Net (decrease) / increase in cash and cash equivalents		355,369	(1,886,493)
Cash and cash equivalents at 1 April	17	2,898,763	4,785,256
Cash and cash equivalents at 31 March	17	**3,254,132**	2,898,763

	Note	2023 £	2022 £
Cash and cash equivalents consists of:			
Cash at bank and in hand	17	3,254,132	2,898,763
Cash and cash equivalents at 31 March	17	**3,254,132**	2,898,763

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.

2 Accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards including standards and interpretations issued by the International Accounting Standards Board and in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006. They have been prepared using the historical cost convention except that as disclosed in the accounting policies below certain items, including investment properties, derivatives, and some investments, are shown at fair value.

The financial statements are presented in sterling which is the functional currency of the company and rounded to the nearest pound.

2.2 Preparation of consolidated financial statements

The financial statements contain information about Aequus Construction Limited as an individual company and do not contain consolidated financial information as the part of a group. The company is exempt under Section 399(2A) of the Companies Act 2006 from the requirements to prepare consolidated financial statements.

2.4 Changes in accounting policies

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective. As yet, none of these have been endorsed for use in the UK and will not be adopted until such time as endorsement is confirmed.

Reference to the Conceptual Framework (Amendments to IFRS3 Business Combinations)

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS37 Provisions, Contingent Liabilities and Contingent Assets)

Annual improvements 2018-2020 cycle

IFRS 17 Insurance contracts

Amendments to IFRS17 – Insurance Contracts; and Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4 Insurance Contracts)

Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements)

Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)

Classification of Liabilities as Current or Non-Current: amendments to IAS 1

2.5 Revenue recognition

The company's revenue derives principally from the sale of homes that it has built, and it also provides management services to group undertakings.

Revenue from the sale of properties is recognised when control has been transferred to the purchaser. This generally occurs on completion. Revenue is measured at the fair value of consideration received or receivable for the property, net of discounts and VAT.

Revenue from providing services is recognised in the accounting period in which the services are rendered.

Deposits received for properties sold off plan are initially recognised at fair value and held as deferred income until completion of the property sale when they are recognised as income.

2.6 Property, plant and equipment

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.

Short leasehold – over period of lease

Motor vehicles – 20% on straight line basis

Computer equipment – 33% on straight line basis

2.7 Assets recognised from costs to fulfil a contract

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, borrowing costs 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.

2.8 Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and time, call and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. This definition is also used for the statement of cash flows.

2.9 Borrowings

Borrowings are classified as current liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.10 Borrowing costs

Borrowing costs are recognised on an accruals basis. Also included in borrowing costs is the amortisation of fees associated with the arrangement of financing.

2.11 Government grants

Government grant income is accounted for under the accruals model and is recognised in the period in which it becomes receivable, shown in the income statement under other income, matched against expenditure incurred under the accruals concept.

2.12 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.

Deferred tax is provided on items that may become taxable in the future, or which may be used to offset against taxable profits in the future, on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes on an undiscounted basis.

Deferred tax assets and liabilities are offset when their 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.

2.13 Financial instruments

Debtors and creditors are initially recognised at fair value and subsequently measured at amortised cost and discounted as appropriate. For trade receivables, the company applies the simplified approach permitted by IFRS 9, which required expected lifetime losses to be recognised from initial recognition of the receivables.

At the end of each reporting period, financial assets are assessed for impairment. Impairments and reversals of impairments are recognised in profit and loss.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.14 Going concern

Based on the information available including the approved 3-year Business Plan 2021/22 to 2023/24 the Directors see no issues relating to the going concern status of the company.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. If in the future such estimates and assumptions which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change. Where necessary, the comparatives have been reclassified or extended from the previously reported results to take into account presentational changes.

There are no key accounting judgements (excluding estimates). The key estimates in drawing up the financial statements are accrued expenses and the allocation of costs to cost of sales and work in progress.

Allocation of costs to cost of sales – cost of sales is determined on the basis of the forecast cost of the project allocated by the floor areas of each individual unit sold.

Allocation of costs to work in progress – costs are allocated to work in progress on the basis that they will be realisable when transferred to cost of sales.

4 Revenue from contracts with customers

All revenue was generated within the United Kingdom

Revenue from contracts with customers	2023 £	2022 £
Property Sales	**6,390,000**	4,015,584
Service and Management	**1,666,920**	1,541,096
	8,056,920	5,556,680

The company derives revenue from the sale of properties recognised on the completion of the sales contract.

Contract balances

The company has not recognised liabilities related to contracts with customers this year end or in the previous year end.

5 Auditor's remuneration

	2023 £	2022 £
Fees payable to the company's auditor for the audit of the company's annual accounts	**18,500**	17,500
Fees payable to the company's auditor for other services:		
Other services	**2,000**	2,000
	20,500	19,500

6 Employees and Directors

There were no staff costs for the Year Ended 31 March 2023 nor for the year ended 31 March 2022.

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

	2023 £	2022 £
Directors	**8**	2
Directors' remuneration	**-**	-

The directors are paid by fellow subsidiary company Aequus Developments Limited and their remuneration is disclosed in those financial statements. Aequus Developments Limited invoice Aequus Construction Limited a service charge which includes the provision of services by the directors to Aequus Construction. The amounts recharged are recorded in note 16 on related party transactions.

7 Income taxes

7.1 Income tax recognised in profit or loss

	2023	2022
	£	£
Tax expense comprises:		
Current tax expense in respect of the current year	54,150	88,087
Adjustment in respect of prior periods	6,404	15,757
	60,554	103,844
Deferred tax		
Deferred tax	8,749	(465)
Total deferred tax	8,749	(465)
Total tax expense in statement of profit or loss	69,303	103,379

	2023	2022
	£	£
Profit on ordinary activities before tax	353,422	467,979
Tax on profit on ordinary activities at 19%	67,150	88,916
Effects of:		
Disallowed expenses	4,411	-
Capital allowances in excess of depreciation	(2,350)	(55)
Additional deductions for land remedial expenditure	(8,412)	(1,341)
Losses utilised	-	-
Remeasurement of deferred tax for changes in tax rates	2,100	102
Adjustment in respect of prior periods	6,404	15,757
Income tax expense recognised in profit or loss	69,303	103,379

The tax rate used for the 2023 and 2022 reconciliations above is the corporate tax rate of 19% payable by corporate entities on taxable profits under tax law in that jurisdiction.

7.2 Deferred tax balances

	2023	2022
	£	£
Balance at 1 April	424	889
Deferred tax debited / (credited) to profit and loss account for the period	8,749	(465)
Balance at 31 March	9,173	424

Aequus Construction Limited

Notes to the Financial Statements

Year Ended 31 March 2023

8 Property, plant and equipment

	Short leasehold	Motor Vehicles	Computer equipment	Totals
	£	£	£	£
Cost				
At 1 April	7,562	-	38,769	**46,331**
Additions	-	36,693	-	**36,693**
Impairments	-	-	-	**-**
At 31 March	**7,562**	**36,693**	**38,769**	**83,024**
Depreciation				
At 1 April	7,562	-	37,072	**44,634**
Charge for the year	-	-	1,697	**1,697**
At 31 March	**7,562**	**-**	**38,769**	**46,331**
Net Book Value				
At 31 March 2023	**-**	**36,693**	**-**	**36,693**
At 31 March 2022	-	-	1,697	1,697

9 Inventories

	2023	2022
	£	£
Work in progress	**2,611,002**	4,598,470
	2,611,002	4,598,470

10 Trade and other receivables

	2023	2022
	£	£
Trade receivables	**950**	13,271
Amounts due from related party transactions	**117,038**	475,646
Prepayments and accrued income	**4,885**	35,486
Other debtors	**20,644**	5,000
	143,517	529,403

Aequus Construction Limited

Notes to the Financial Statements

Year Ended 31 March 2023

11 Trade and other payables

	2023 £	2022 £
Trade payables	**313,521**	273,130
Amounts owed to group undertakings	**113,609**	193,488
Social security and other taxes	**19,047**	32,123
Other creditors	**115**	8,000
Accruals and deferred income	**1,122,352**	414,063
	1,568,644	920,804

12 Leases

Minimum lease payments fall due as follows:

	2023 £	2022 £
Gross obligations repayable		
Within one year	-	-
Between one and five years	-	-
In more than five years	-	-
	-	-
Finance charge repayable		
Within one year	-	-
Between one and five years	-	-
In more than five years	-	-
	-	-
Net obligations repayable		
Within one year	-	-
Between one and five years	-	-
In more than five years	-	-
	-	-

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 relevant third parties.

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. At 31 March 2023 the company's borrowings were in the region of £1.6m (2022: £3.5m) and it is therefore estimated that a general change of one percentage point in the interest rate would affect profit before tax by approximately £16,000 (2022: £35,000).

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 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 2023.

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.

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.

Aequus Construction Limited

Notes to the Financial Statements

Year Ended 31 March 2023

16 Related party transactions

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

	2023 £	2022 £
Other goods and services	**(23,582)**	(14,544)
Interest recharge	**(56,533)**	(210,115)
Loan arrangement fees	-	-
Services Income	**1,638,787**	1,520,676
Property sales	**2,160,000**	920,000

Year end balances arising from loans received and other amounts from BANES amount to:

	2023 £	2022 £
Loans payables to parent undertaking		
Due in less than one year	-	(2,850,000)
Due in more than one year	-	(600,000)
		(3,450,000)
Trade receivables	**92,839**	459,808
Trade payables	-	(103,894)

Transactions with Aequus Group Holdings Limited (immediate parent)

	2023 £	2022 £
Dividend payable to AGHL	**1,169,000**	-

Year end balances arising from Aequus Group Holdings Limited amount to:

	2023 £	2022 £
Trade receivables	-	-
Trade payables	-	-

Transactions with Aequus Developments Limited (fellow subsidiary undertaking) amount to:

	2023 £	2022 £
Other goods and services	**(931,179)**	(767,028)
Services income	**9,950**	15,886
Property sales	-	-

Aequus Construction Limited

Notes to the Financial Statements

Year Ended 31 March 2023

Year end balances arising from Aequus Developments Limited amount to:

	2023 £	2022 £
Trade receivables	**11,940**	15,838
Trade payables	**(113,609)**	(90,142)

17 Cash and Cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	2023 £	2022 £
Cash and bank balances	**3,254,132**	2,898,763
	3,254,132	2,898,763

18 Reconciliation of profit to cash flow from operating activities

	2023 £	2022 £
Profit before taxation	**353,422**	467,979
Depreciation charges	**1,697**	8,284
Finance costs	**837**	5,293
Finance income	**(31,553)**	(1,718)
Decrease in inventories	**1,987,468**	570,096
(Increase) / decrease in trade and other receivables	**385,886**	(256,806)
Increase in trade and other payables	**647,840**	146,902
Cash flow from operating activities	**3,345,597**	940,030

19 Ultimate parent

The immediate parent company is Aequus Group Holdings Limited.

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

Registered number: 14025216

AEQUUS GROUP HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2023

Bishop Fleming

AEQUUS GROUP HOLDINGS LIMITED

COMPANY INFORMATION

DIRECTORS	C D Gerrish (appointed 5 April 2022) M Hyde (appointed 5 April 2022) L J Kew (appointed 5 April 2022) R H Marshall (appointed 5 April 2022) E Pickering (appointed 16 May 2022) D P E Quilter (appointed 5 April 2022) T Richens (appointed 5 April 2022) A W Wright (appointed 5 April 2022) V O'Brien (appointed 14 April 2023)
REGISTERED NUMBER	14025216
REGISTERED OFFICE	Cambridge House Henry Street Bath BS1 1BT
INDEPENDENT AUDITORS	Bishop Fleming LLP Chartered Accountants & Statutory Auditors 10 Temple Back Bristol BS1 6FL

AEQUUS GROUP HOLDINGS LIMITED

CONTENTS

DIRECTORS' REPORT
FOR THE PERIOD ENDED 31 MARCH 2023

The directors present their report and the financial statements for the period ended 31 March 2023.

RESULTS AND DIVIDENDS

The profit for the period, after taxation, amounted to £1,169,000.

Dividends of £1,169,000 were agreed and paid during the period.

DIRECTORS

The directors who served during the period were:

C D Gerrish (appointed 5 April 2022)
M Hyde (appointed 5 April 2022)
L J Kew (appointed 5 April 2022)
R H Marshall (appointed 5 April 2022)
E Pickering (appointed 16 May 2022)
D P E Quilter (appointed 5 April 2022)
T Richens (appointed 5 April 2022)
A W Wright (appointed 5 April 2022)

FUTURE DEVELOPMENTS

Future developments of the Company continue to be that of a holdings company with no changes expected.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

POST BALANCE SHEET EVENTS

There have been no significant events affecting the Company since the year end.

AUDITORS

The auditors, Bishop Fleming LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

T Richens
Director

Date: 11/10/2023

Cambridge House
Henry Street
Bath
BS1 1BT

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE PERIOD ENDED 31 MARCH 2023

The directors are responsible for preparing the Directors' report 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 to 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AEQUUS GROUP HOLDINGS LIMITED

OPINION

We have audited the financial statements of Aequus Group Holdings Limited (the 'Company') for the period ended 31 March 2023, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes, 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 101 'Reduced Disclosure Framework' (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 2023 and of its profit for the period 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 United Kingdom, including the Financial Reporting Council'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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

OTHER INFORMATION

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' report thereon. The directors are responsible for the other information contained within the Annual Report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report 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 Directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement set out on page 2, 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 is 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 an Auditors' report 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We have considered the nature of the sector, control environment and financial procedures;
- We have considered the results of enquiries with management and trustees in relation to their own identification of the risk of irregularities within the entity;
- We have reviewed the documentation of key processes and controls and performed walkthroughs of transactions to confirm that the systems are operating in line with documentation.

As a result of these procedures, we have considered the opportunities and incentives that may exist within the organisation for fraud and identified the highest area of risk to be in relation to management override. We have also obtained understanding of the legal and regulatory frameworks that the company operates in, focusing on provisions of those law and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context include the UK Companies Act, IFRS and UK tax legislation. In addition, we considered the provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or avoid a material penalty.

Our procedures to respond to risks identified included the following:

- Reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having direct effect on the financial statements;
- Performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Reviewing group restructuring documents and professional advice provided for the group reorganisation;
- Reviewing board meeting minutes;
- Enquiring of management in relation to actual and potential claims or litigations;
- Performing detailed transactional testing in relation to the recognition of dividends with a particular focus around year-end cut off.

In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in accounting estimates are indicative of potential bias; and evaluating the business rationale of significant transactions that are unusual or outside the normal course of business.

We also communicated identified laws and regulations and potential fraud risks to all members of the engagement team and remained alert to possible indicators of fraud or non-compliance with laws and regulations throughout the audit.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AEQUUS GROUP HOLDINGS LIMITED (CONTINUED)

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. This description forms part of our Auditors' report.

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 an Auditors' report 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.

Bishop Fleming LLP

Nathan Coughlin FCA (Senior statutory auditor)
for and on behalf of
Bishop Fleming LLP
Chartered Accountants
Statutory Auditors
10 Temple Back
Bristol
BS1 6FL
Date: 17 October 2023

AEQUUS GROUP HOLDINGS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2023

	Note	Period 5 April 2022 to 31 March 2023 £
Dividends received	5	1,169,000
Profit before tax		**1,169,000**
Profit for the financial period		**1,169,000**
Total comprehensive income for the period		**1,169,000**

The notes on pages 10 to 15 form part of these financial statements.

AEQUUS GROUP HOLDINGS LIMITED
REGISTERED NUMBER:14025216

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	Note		2023 £
Fixed assets			
Investments	7		100
			100
Current assets			
Cash at bank and in hand	8	10	
		10	
Creditors: amounts falling due within one year	9	(10)	
Net current assets			-
Total assets less current liabilities			100
Net assets			100
Capital and reserves			
Called up share capital	10		100
			100

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

T Richens
Director

Date: 11/10/2023

The notes on pages 10 to 15 form part of these financial statements.

AEQUUS GROUP HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2023

	Called up share capital	Profit and loss account	Total equity
	£	£	£
Profit for the period	-	1,169,000	1,169,000
Dividends paid	-	(1,169,000)	(1,169,000)
Shares issued during the period	100	-	100
At 31 March 2023	100	-	100

The notes on pages 10 to 15 form part of these financial statements.

1. GENERAL INFORMATION

Aequus Group Holdings 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.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 FINANCIAL REPORTING STANDARD 101 - REDUCED DISCLOSURE EXEMPTIONS

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

This information is included in the consolidated financial statements of Bath and North East Somerset Council as at 31 March 2023 and these financial statements may be obtained from https://www.bathnes.gov.uk/services/your-council-and-democracy/budgets-and-spending/annual-accounts..

2.3 GOING CONCERN

Based on the information available, including the approved three year Business Plan 2021/22 to 2023/24 the Directors see no issues relating to the going concern status of the company.

2.4 VALUATION OF INVESTMENTS

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted company shares, whose market value can be reliably determined, are remeasured to market value at each reporting date. Gains and losses on remeasurement are recognised in the Statement of comprehensive income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each reporting date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2. ACCOUNTING POLICIES (continued)

2.5 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.6 CREDITORS

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.7 FINANCIAL INSTRUMENTS

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

Fair value through profit or loss

All of the Company's financial assets are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses being recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Impairment of financial assets

The Company always recognises lifetime Expected Credit Losses (ECL) for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Financial liabilities

Fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss, when the financial liability is held for trading, or is designated as at fair value through profit or loss. This designation may be made if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial liability forms part of a group of financial instruments which is managed and its performance is evaluated on a fair value basis, or the financial liability forms part

2. ACCOUNTING POLICIES (continued)

2.7 FINANCIAL INSTRUMENTS (CONTINUED)

of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss. Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

At amortised cost

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

2.8 DIVIDENDS

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. If in the future such estimates and assumptions which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change. Where necessary, the comparatives have been reclassified or extended from the previously reported results to take into account presentational changes.

We deem there to be no critical judgements or estimates that the Directors have made in the process of applying the Company's accounting policies and that have a significant effect on the amounts recognised in the financial statements. The Directors note no key sources of estimation uncertainty that are likely to have a material effect on the financial statements in the current year or in future periods.

4. EMPLOYEES

The average monthly number of employees, including the directors, during the period was as follows:

	Period 5 April 2022 to 31 March 2023 No.
Directors	8

5. INCOME FROM INVESTMENTS

	Period 5 April 2022 to 31 March 2023 £
Dividends received	(1,169,000)
	(1,169,000)

6. DIVIDENDS

	2023 £
Dividends paid	1,169,000
	1,169,000

7. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £
COST OR VALUATION	
Additions	100
At 31 March 2023	100

SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Aequus Construction Limited	Cambridge House, Henry Street, Bath, BA1 1BT	Ordinary	100%
Aequus Developments Limited	Cambridge House, Henry Street, Bath, BA1 1BT	Ordinary	100%

8. CASH AND CASH EQUIVALENTS

	2023 £
Cash at bank and in hand	10
	10

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023 £
Amounts owed to group undertakings	10
	10

10. SHARE CAPITAL

	2023 £
ALLOTTED, CALLED UP AND FULLY PAID	
100 Ordinary shares of £1.00 each	100

All shares rank equally in regards to voting rights. The shares have a nominal value of £1 and were issued at par. All shares rank equally in regards to dividends. All shares rank in proportion to the nominal amount paid up with regards to distributions on winding up or other repayment of capital.

11. RESERVES

Profit and loss account

The profit and loss accounts represents cumulative profits, losses and other recognised gains or losses made by the Company including distributions to, and distributions from, the parent entity.

12. CONTROLLING PARTY

The immediate and 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

Bath & North East Somerset Council		
MEETING:	**Corporate Audit Committee**	
MEETING DATE:	**1st November 2023**	**AGENDA ITEM NUMBER**
TITLE:	**External Audit - Update**	
AN OPEN PUBLIC ITEM		
List of attachments to this report: **Appendix 1 – External Audit Plan for the Avon Pension Fund** **Appendix 2 – External Audit Plan for the VFM Assessment for B&NES**		

1 THE ISSUE

1.1 The External Auditor will present their 2022/23 Audit Plan for the Avon Pension Fund and VFM Assessment and update on progress with regard to the Audit of the Council's Accounts.

2 RECOMMENDATION

2.1 The Corporate Audit Committee is asked to –

Note the 2022/23 External Audit Plan for the Avon Pension Fund (Appendix 1) and VFM Assessment for B&NES (Appendix 2).

3 FINANCIAL IMPLICATIONS

3.1 There are no new financial implications from this report directly.

4 THE REPORT

4.1 The External Auditor has reported previously to Committee issues relating to the completion of their planned work and the approval process for the Annual Accounts when they presented their audit plan for the Council in July 2023. They will provide a verbal update on progress to complete this year's audit, which is planned to be presented to the Audit Committee on the 22nd November.

4.2 Appendix 1 outlines the work required and approach to be taken with regards to the 2022/23 External Audit of the Avon Pension Fund which is related to the Council as the administering authority. The External Auditor will provide a verbal briefing on this Audit Plan at the Committee meeting.

4.3 Appendix 2 outlines the work required to complete the VFM assessment for the Council and again the External Auditor will provide a verbal briefing on this review at the Committee meeting.

5 RISK MANAGEMENT

5.1 A proportionate risk assessment has been carried out in relation to the Councils risk management guidance. There are not any significant risks or issues to report to the Committee as a result of this report.

6. EQUALITIES

6.1 A proportionate equalities impact assessment has been carried out using corporate guidelines, no significant issues to report.

7 CONSULTATION

7.1 Consultation has been carried out with the Section 151 Finance Officer.

Contact person	Jeff Wring, Director – One West (01225 477323)
Background papers	
Please contact the report author if you need to access this report in an alternative format	

Grant Thornton

External audit plan

Year ending 31 March 2023

Avon Pension Fund

July 2023

Contents

Your key Grant Thornton team members are:

Peter Barber
Key Audit Partner
E peter.a.barber@uk.gt.com

Beth Bowers
Senior Manager
E beth.ac.bowers@uk.gt.com

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Key matters

Local Context

As set out in the 21/22 Annual Report, Avon Pension Fund reported an overall increase of £525m (10%) in asset valuations across a diverse portfolio of investments.

Like all funds , economic uncertainty and high inflation continue to provide a wider contextual challenge to the fund.

The substantial programme of transitioning the Fund's investment assets into Brunel managed portfolios has been completed with Brunel now managing 83% of Avon Pension Fund's assets.

The most recent triennial revaluation, as at 31 March 2022 was reported in late March 2023 and this shows that the funding level has improved from 94% at 31 March 2019 to 96% at 31 March 2022. Whilst the expected liabilities of the fund have increased over the three year period from 2019 to 2022, the Fund's assets have also increased, leaving a net deficit of £238m.

National context

For the general population, rising inflation, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment.

The pressures on household income have raised concerns that members of Local Government Pension Schemes will look at their pension contributions as a way of cutting back on their monthly costs. The cost-of-living crisis is having a detrimental impact on pension savings, with some even dipping in to their savings to supplement short-term needs and several Pension Scheme members are also requesting early access to their pension after age 55 as a means to financially manage their commitments. The cost of living crisis makes it even more important that lowly paid workers have access to a good quality pension.

In planning our audit, we will take account of this context in designing a local audit programme which is tailored to your risks and circumstances.

Key matters

Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further in our Audit Plan, has been agreed with the Council's Chief Financial Officer (S. 151 Officer).
- We will continue to provide you and your Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators.
- We hold annual financial reporting workshops for our clients to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Avon Pension Fund ('the Pension Fund') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body.

Our respective responsibilities are also set out in the agreed contract for External Audit services.

We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance (Bath & North East Somerset Council's Corporate Audit Committee).

The audit of the financial statements does not relieve management or the Corporate Audit Committee of your responsibilities. It is the responsibility of the Pension Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Pension Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Pension Fund's business and is risk based.

Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Revenue and expenditure recognition (rebutted)
- Management over-ride of controls
- Valuation of level 3 investments

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £61.9m (PY £59m) for the Pension Fund, which equates to 1.15% of your gross assets per the Net Asset Statement. We have determined a separate lower materiality of £23.8m for the Fund Account, which equates to 10% of the expenditure in Fund Account in the year to 31 March 2022 (the prior year).

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance.

Clearly trivial has been set at £3.1m (PY £2.95m).

Audit logistics

Our planning took place in March and April 2023 and our final audit will take place in July and August 2023. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our proposed fee for the audit will be £40,555 (PY: £53,655) for the Pension Fund, subject to the Pension Fund delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions (rebutted)	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Avon Pension Fund, mean that all forms of fraud are seen as unacceptable. Therefore we do not consider this to be a significant risk for Avon Pension Fund.	No specific work is planned as the presumed risk has been rebutted.

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' (ISA (UK) 315)

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The expenditure cycle includes fraudulent transactions (rebutted)	Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states: "As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition". Public sector auditors therefore need to consider whether they have any significant concerns about fraudulent financial reporting of expenditure which would need to be treated as a significant risk for the audit. We have rebutted this presumed risk for Avon Pension Fund because: • expenditure is well controlled and the Fund has a strong control environment; and • the Fund has clear and transparent reporting of its financial plans and financial position to those charged with governance. We therefore do not consider this to be a significant risk for Avon Pension Fund.	No specific work is planned as the presumed risk has been rebutted.

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'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' (ISA (UK) 315)

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk..	We will: • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Level 3 Investments	The Fund revalues its investments on an annual basis at the year end to ensure that the carrying value is not materially different from the fair value at the financial statements date. By their nature, Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments require a significant degree of judgement to reach an appropriate valuation at year end. Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2023. We therefore identified valuation of Level 3 investments as a significant risk.	We will: • evaluate management's processes for valuing Level 3 investments; • review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments to ensure that the requirements of the Code are met; • independently request year-end confirmations from investment managers and custodians; • for a sample of investments, test the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2023 with reference to known movements in the intervening period; • in the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert; and • where available review investment manager service auditor report on design effectiveness of internal controls.

Other matters

Other work

The Pension Fund is administered by Bath & North East Somerset Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- We consider our other duties under legislation and the Code, as and when required, including:
  - Giving electors the opportunity to raise questions about your 2022/23 financial statements, consider and decide upon any objections received in relation to the 2022/23 financial statements;
  - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State;
  - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
  - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
1	**Determination – Net Asset Statement** We have determined financial statement materiality based on a proportion of the gross assets as at 31 March 2022 for the Pension Fund. Materiality at the planning stage of our audit is £61.9m, which equates to 1.15% of your gross assets as at September 2022.	We determine planning materiality in order to: – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; – assist in establishing the scope of our audit engagement and audit tests; – determine sample sizes; and – assist in evaluating the effect of known and likely misstatements in the financial statements.
2	**Determination – Fund Account** We have determined financial statement materiality based on a proportion of the fund's expenditure in the year to 31 March 2022. Materiality at the planning stage of our audit is £23.8m, which equates to 10% of the fund's expenditure in the year to 31 March 2022.	We determine planning materiality in order to: – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; – assist in establishing the scope of our audit engagement and audit tests; – determine sample sizes; and – assist in evaluating the effect of known and likely misstatements in the financial statements.

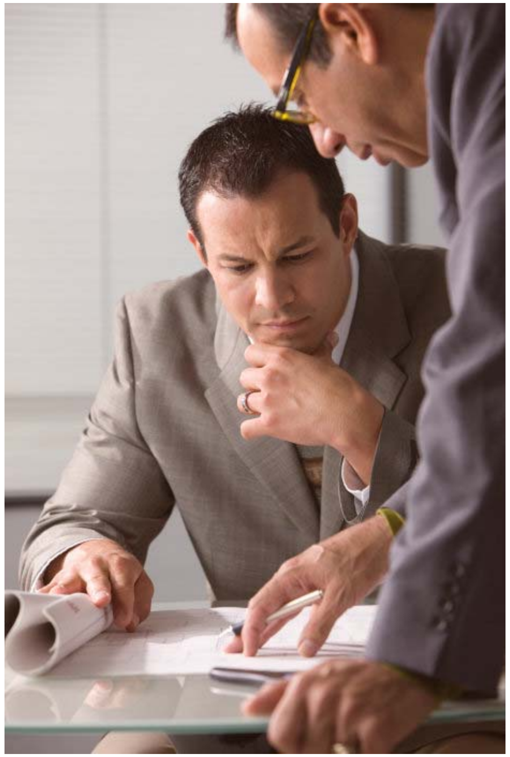
Our approach to materiality

Matter	Description	Planned audit procedures
3	**Reassessment of materiality** Our assessment of materiality is kept under review throughout the audit process.	We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.
4	**Other communications relating to materiality we will report to the Audit Committee** Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £3.1m (PY £2.95m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

	Amount (£)	Qualitative factors considered
Materiality for the Pension Fund's financial statements – Net Asset Statement	£61.9m	We have considered the following qualitative factors. • Key users of the financial statements and which performance measures key stakeholders for the entity are interested in • Business environment • Control environment • Other sensitivities (e.g. Changes in regulations).
Materiality for the Pension Fund's financial statements – Fund Account	£23.8m	We have considered the following qualitative factors. • Key users of the financial statements and which performance measures key stakeholders for the entity are interested in • Business environment • Control environment • Other sensitivities (e.g. Changes in regulations).



IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e. IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on page 17.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Agresso Unit 4	Financial reporting	• Evaluate the design and determine the implementation of relevant ITGCs.
Altair	Member data and benefits payable calculations	• Evaluate the design and determine the implementation of relevant ITGCs.

Audit logistics and team

Planning and risk assessment

Audit Committee
July 2023

Audit Plan

Year end audit
July / August 2023

Audit Committee
28 September 2023

Audit Findings Report

TBC

Audit Opinion

Peter Barber, Key Audit Partner

Provides oversight of the delivery of the audit including regular engagement with Audit / Pensions Committees and senior officers.

Beth Bowers, Senior Manager

Plans and manages the delivery of the audit including regular contact with senior officers.

Peter Brereton, Macaulay Gulliford, Shourya Goyal Assistant Manager

Key audit contacts responsible for the day to day management and delivery of the audit work.

Audited Entity responsibilities

Where audited entities do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes;
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you;
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing;
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit; and
- respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards including ISA 315 Revised

In 2018 PSAA awarded a contract of audit of Avon Pension Fund to begin with effect from 2018/19. The fee agreed in the contract was £24,220. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2022/23 audit. For details of the changes which impacted on years up to 2022/23 please see our prior year Audit Plans.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the Council's IT infrastructure and IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.
- Additional documentation of our understanding of the Council's business model, which may result in us needing to perform additional inquiries to understand the Council's end-to-end processes over more classes of transactions, balances and disclosures.
- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial decrease of £13,100. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022/23, as set out below, is detailed overleaf and has been agreed with the Council's Chief Financial Officer (S. 151 Officer).

Audit fees

	Actual Fee 2021/22	Proposed fee 2022/23
Avon Pension Fund Fee	£52,390	£25,305
Impact of ISA 540 & increased focus on Level 2 & 3 Investments		£6,000
Journals		£2,000
Impact of additional FRC challenge		£3,750
ISA 315		£3,000
IAS 19 Assurance Work		£13,700
Re-issued IAS 19 letters for 2021/22		£2,000
Triennial data testing		£5,000
Total audit fees (excluding VAT)	**£52,390**	**£60,755**

Assumptions

In setting the above fees, we have assumed that the Pension Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2019) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund.

Other services

No other services provided by Grant Thornton were identified.

Following consultation with PSAA, it has been confirmed that fees relating to IAS 19 assurances, will now form part of audit fees. This is a change compared to the prior period, and IAS 19 fees have been disclosed on page 18.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud (deliberate manipulation) involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

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Bath & North East Somerset Council
Value for Money

Year ending 31 March 2022 and 31 March 2023

August 2023

Page 113

Contents

Value for Money arrangements

Revised approach to Value for Money work from 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money (VFM).

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary qualified/unqualified approach to VFM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out here:

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

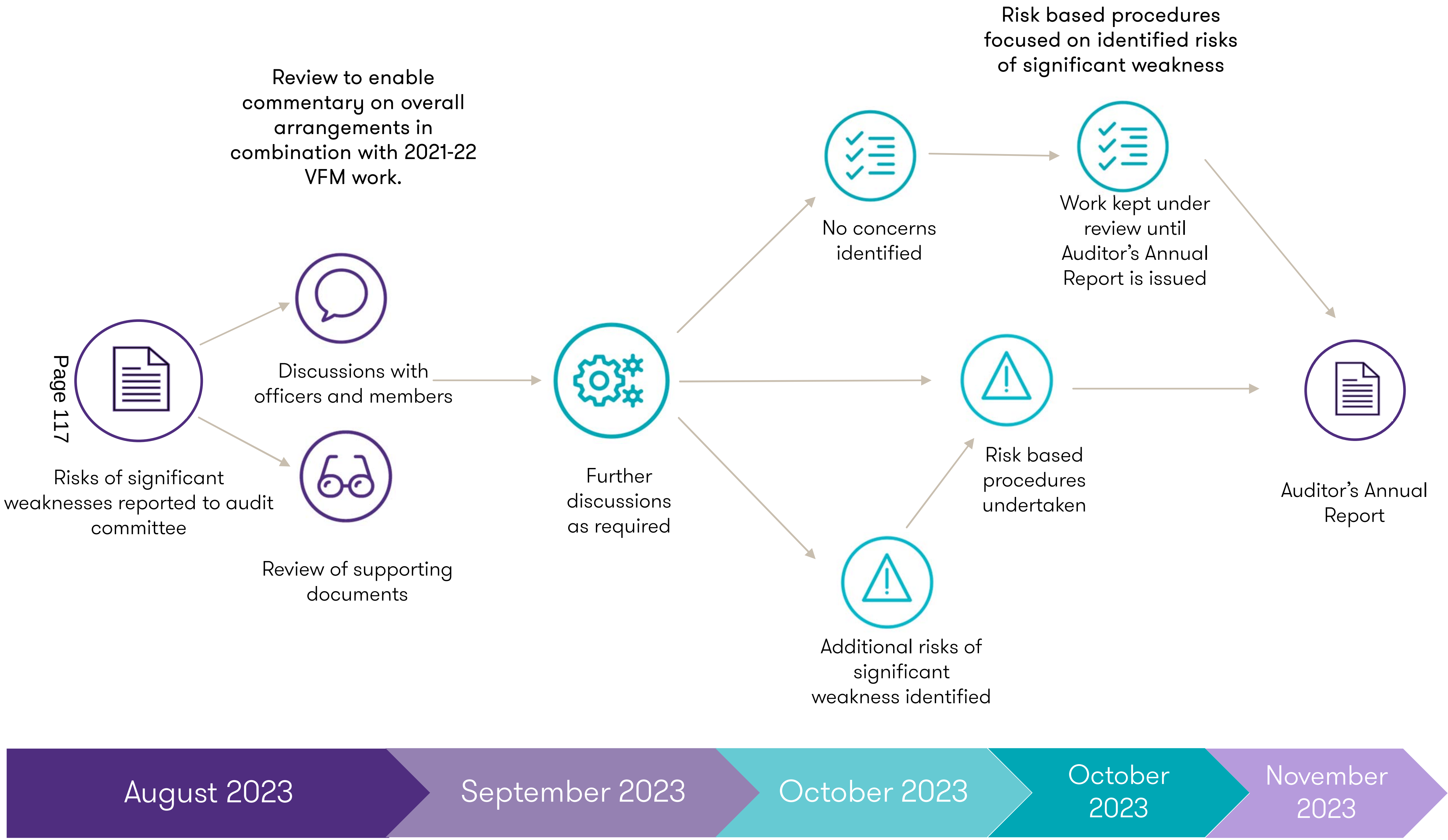
Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information.

Initial planning

Approach


Review to enable commentary on overall arrangements in combination with 2021-22 VFM work.
Risk based procedures focused on identified risks of significant weakness
Risks of significant weaknesses reported to audit committee
Discussions with officers and members
Review of supporting documents
Further discussions as required
No concerns identified
Work kept under review until Auditor's Annual Report is issued
Risk based procedures undertaken
Additional risks of significant weakness identified
Auditor's Annual Report
August 2023
September 2023
October 2023
October 2023
November 2023

Risks of significant VFM weakness

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The identified risks of significant weakness will be considered as well as follow-up of our findings from the previous year's Auditor's Annual Report.

Governance arrangements, how the Council ensures it makes informed decisions for its companies

We will review the arrangements to ensure informed decision making for the following:

- the governance arrangements over changes to the Council's Group structure during the periods
- procurement processes

Our review will include:

- the governance plans for the formation of new company structures, or amendments to existing structures, and consider whether proposals are in line with public sector laws and regulations
- Consideration of the oversight of those charged with governance

The Council's arrangements for securing financial sustainability relating to the dedicated schools grant

The Council's cumulative DSG deficit was at £13.4m at the end of 2021/22 and has only remained static during 2022/23 due to support from the safety valve programme. Given the risk associated with the spiralling costs of the DSG and the inherent uncertainty relating to the statutory override currently in place, we have concluded that there is a significant risk of weakness in arrangements for delivering financial sustainability.

We will review the arrangements for:

- the Council's arrangements for identifying and monitoring risks to it's financial delivery
- the robustness of the council's medium term financial strategy and savings plans, especially in relation to increasing spend on Children's services
- The Council's actions as a result of safety valve discussions
- Any plans for the transformation of services

At any stage of our new approach to VfM, additional risks of significant weakness may be identified, these will be reported to you as they are identified.

Grant Thornton

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Bath & North East Somerset Council	
MEETING	**Corporate Audit Committee**
MEETING DATE:	**1st November 2023**
TITLE:	**Treasury Management Performance Report to 30th September 2023**
WARD:	All
AN OPEN PUBLIC ITEM	

List of attachments to this report:

Appendix 1 – Performance Against Prudential Indicators
Appendix 2 – The Council's Investment Position at 30th September 2023
Appendix 3 – Average monthly rate of return for first half of 2023/24
Appendix 4 – The Council's External Borrowing Position at 30th September 2023
Appendix 5 – Arlingclose's Economic & Market Review Q2 of 2023/24
Appendix 6 – Interest & Capital Financing Budget Monitoring 2023/24
Appendix 7 – Summary Guide to Credit Ratings
Appendix 8 – Extract from Treasury Management Risk Register

1 THE ISSUE

1.1 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code), which requires the Council to approve a Treasury Management Strategy before the start of each financial year, review performance during the year, and approve an annual report within six months after the end of each financial year.

1.2 This report gives details of performance against the Council's Treasury Management Strategy for the first half of 2023/24.

2 RECOMMENDATION

The Corporate Audit Committee agrees that;

2.1 The Treasury Management Report to 30th September 2023, prepared in accordance with the CIPFA Treasury Code of Practice, is noted.

2.2 The Treasury Management Indicators to 30th September 2023 are noted.

3 THE REPORT

Summary

3.1 The estimated average rate of investment return for 1st April 2023 to 30th September 2023 is 4.64%, which is in 0.09% below the benchmark rate of 4.73% over the period.

3.2 The Council's Prudential Indicators for 2023/24 were agreed by Council in February 2023 and performance against the key indicators is shown in **Appendix 1**. All indicators are within target levels.

3.3 The Council's revenue budget for interest & capital financing costs for 2023/24 is £1.110m under budget, due to higher than budgeted investment returns as a result of interest rate rises since budget setting, and also a delay to borrowing requirements and associated interest costs. The breakdown of the 2023/24 revenue budget for interest and capital financing, and the forecast year end position, is included in **Appendix 6**.

Summary of Returns

3.4 The Council's investment position as at 30th September 2023 is given in **Appendix 2**. The balance of deposits as at 30th September 2023 are set out in the charts in this appendix, along with the equivalent details for the previous quarters position for comparison.

3.5 Estimated gross interest earned on investments totalled £907k. **Appendix 3** details the investment performance, showing the average rate of interest earned over this period was 4.64%, which is below the benchmark rate of average 7-day SONIA (4.73%). This shortfall is mainly due to existing short-term loans being locked in at a lower rate prior to the Bank of England base rate rises. The prior year comparators are also included in this appendix.

Summary of Borrowings

3.6 The Council's external borrowing as at 30th September 2023 totalled £218.1m and is detailed in **Appendix 4**. This includes £10m in new short-term loans taken out in April 2023 to cover the annual pension prepayment and to allow the Council to maintain its liquidity indicator above £15m. The summary of the movement in borrowing during the quarter is shown in the following table:

Borrowing Portfolio Movements	**£m**
Balance as at 30th June 2023	**219.111**
New Loans Taken	0.000
PWLB Annuity Loan principal repayments	(0.967)
Balance as at 30th September 2023	**218.144**

3.7 The Council's Capital Financing Requirement (CFR) is forecast to be £462.1m at 31st March 2024, based on the Capital Programme agreed in February 2023, including both fully and provisionally approved schemes. The actual CFR at 31st March 2023 was £341m. This represents the Council's underlying need to borrow to finance capital expenditure and demonstrates that the borrowing taken to date relates to funding historical capital spend.

3.8 The lower level of current borrowing of £218.1m represents re-investment of the internal balances including reserves, reducing the in-year borrowing costs in excess of the potential investment returns.

3.9 The Liability Benchmark in **Appendix 1** illustrates the gap between current borrowing and the liability benchmark. This gap is a useful guide to the optimal amount and duration of borrowing to minimise interest and credit risk. This is currently £109m and circa 20 years. This is lower than the CFR as it takes account the Council's ability to internally borrow to fund capital.

3.10 Following Local Government Reorganisation in 1996, Avon County Council's residual debt is administered by Bristol City Council. All successor Unitary Authorities make an annual contribution to principal and interest repayment, for which there is a provision in the Council's revenue budget. The amount of residual debt outstanding as at 31st March 2023 apportioned to Bath & North East Somerset Council is £10.1m. Since this borrowing is managed by an external body and treated in the Council's Statement of Accounts as a deferred liability, it is not included in the borrowing figures referred to in paragraph 3.6.

Strategic & Tactical Decisions

3.11 As shown in the charts in **Appendix 2**, the investment portfolio of £53.9m as at 30th September 2023 is diversified across Money Market Funds, Strategic funds, the Government's Debt Management Account Deposit Facility and in highly rated UK Banks. The Council uses AAA rated Money Market funds to maintain short term liquidity.

3.12 Of the Council's total investment portfolio, £10m is in externally managed strategic pooled funds, where the objectives are regular revenue income and long-term price stability. These investments have been made in the knowledge that there is a risk that capital value could move both up and down on a frequent basis and are intended to be held over a long period of time to help manage any price fluctuations.

This investment includes £5m in Environmental Social and Governance (ESG) focused funds and £5m in a property fund, as listed below

- £5m CCLA Local Authorities Property Fund.
- £3m FP Foresight UK Infrastructure Income Fund.
- £2m VT Gravis Clean Energy Income Fund.

In the current economic environment of persistent high core inflation and interest rates, the value of equity, bonds and property have been falling, whereas yield has stayed strong. Expectation is that value will stabilise and start to recover once when there is certainly that peak interest rates have been reached. The fair value of our strategic investments has decreased from £8.78m as at 31 March 2023 to £8.04m as at 30 September 2023. This is shown in the table below:

	CCLA Local Authorities Property Fund	FP Foresight UK Infrastructure Income Fund	VT Gravis Clean Energy Income Fund	Total
Historic Cost	5,000,000	3,000,000	2,000,000	**10,000,000**
Fair Value as at:				
30/09/2023	4,284,580	2,251,477	1,508,369	**8,044,426**
30/06/2023	4,330,486	2,354,436	1,626,336	**8,311,258**
31/03/2023	4,342,727	2,586,831	1,852,212	**8,781,770**
31/03/2022	5,199,881	3,065,260	2,045,847	**10,310,988**

This change in valuation does not have an impact on the revenue account due to a statutory override, and gains/losses will instead go to an unusable reserve. These will only be transferred to revenue if/when the Council's holding in the pooled funds are sold, or if the Government removes the override. The next review of the statutory override will take place prior to the end of 2024/25. The Council has in place a Capital Financing Reserve which can be used to help mitigate any future revenue impacts should the statutory override be removed.

3.13 The Council's average investment return for short-term investments was 4.70%, which is 0.95% above the budgeted level of 3.75%. The average return for the £10m long-term strategic investments is 4.36%, 0.36% above the budgeted rate of 4%. The combined average return on all investments is 4.64%.

Investment Type/	Average YTD Investment Return
Short Term Investments Total	**4.70%**
Long Term Strategic Investments:	
CCLA Local Authorities Property Fund	4.13%
FP Foresight UK Infrastructure Income Fund	4.35%
VT Gravis Clean Energy Income Fund	4.83%
Long Term Strategic Investments Total (Est.)	**4.36%**
Overall Total	**4.64%**

3.14 The current forecast is to achieve £300k of additional income above the budgeted level by the end of the year. This is due to the impact of the higher than budgeted returns, and additional interest received from non-treasury activity.

Future Strategic & Tactical Issues

3.15 The Council's Treasury Management Advisor's economic and market reviw for the quarter two of 2023/24 is included in **Appendix 5**.

3.16 Interest rates have risen from 4.25% at 31 March 2023 to 5.25% as at 30th September 2023. At its meeting on 21st September 2023 the Bank of England's Monetary Policy Committee kept rates the same for the first time since 2021, in a vote of 5-4, leading to speculation that interest rates might have reached their peak. In fact, this is Arlingclose's view in their current interest rate forecast with a fall in rates not expected until August 2024 at the earliest.

3.17 The Council currently hold £20m in Lender Option Borrower Option (LOBO) debt, with an interest rate of 4.50%. Given the Bank rate is currently 5.25%and with longer term borrowing rates above 5%, there is an increasing risk that these interest rates will be increased/called at the next call date during October 2023. The Council have planned should this happen, and will look to repay and refinance the loan with a mix of long-term PWLB borrowing and short-term Local Authority borrowing.

3.18 Current cashflow forecasts indicate that the Council will need to borrow to fund its Capital Programme from January 2024, as internal balances reduce during the remainder of the year.

Budget Implications

3.19 The breakdown of the 2023/24 revenue budget and the forecast year end position for interest and capital financing, based on the period April to September 2023 is included in **Appendix 6**. An overall underspend of £1.110m is reported towards the Council's net revenue outturn, because of higher than budgeted investment income and a delay in borrowing.

4 STATUTORY CONSIDERATIONS

4.1 This report is for information only.

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 Council's lending & borrowing list is regularly reviewed during the financial year and credit ratings are monitored throughout the year. All lending/borrowing transactions are within approved limits and with approved institutions. Investment and borrowing advice is provided by our Treasury Management consultants, Arlingclose.

6.3 The CIPFA Treasury Management in the Public Services: Code of Practice requires the Council nominate a committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies. The Corporate Audit Committee carries out this scrutiny.

6.4 In addition, the Council maintain a risk register for Treasury Management activities, which is regularly reviewed and updated where applicable during the year. An extract from the risk register, detailing how the top 5 risks are managed, is included as **Appendix 8**.

7 EQUALITIES

7.1 As this report contains performance information for noting only, an Equality Impact Assessment is not considered necessary.

8 CLIMATE CHANGE

8.1 The Council will continue to avoid any direct treasury management investments in fossil fuel related companies and will engage with its advisors to explore and assess the potential for any future investment opportunities in funds with a Renewable Energy & Sustainability focus as these products continue to be developed by the market in response to the Climate & Nature Emergency agenda.

8.2 An ESG section has been included the Treasury Management Strategy document for 2023/24, with the treasury team monitoring investment options permitted under the new guidelines.

8.3 The Council holds £5m in longer term investments, split across two ESG focussed Strategic Funds, as detailed under 3.12.

9 OTHER OPTIONS CONSIDERED

9.1 None

10 CONSULTATION

10.1 Consultation has been carried out with the Cabinet Member for Resources, Chief Finance Officer, and Monitoring Officer.

Contact person	*Claire Read - 01225 47 7109; Jamie Whittard - 01225 47 7213 Claire_Read@BATHNES.GOV.UK: Jamie_Whittard@BATHNES.GOV.UK*
Background papers	*2023/24 Treasury Management & Investment Strategy*
Please contact the report author if you need to access this report in an alternative format	

APPENDIX 1
Performance against Treasury Management Indicators agreed in Treasury Management Strategy Statement

1. Treasury Borrowing limits
These limits include current commitments and proposals in the budget report for capital expenditure, plus additional headroom over & above the operational limit for unusual cash movements.

The Authorised limits for external debt include current commitments and proposals in the budget report for capital expenditure, plus additional headroom over and above the operational limit for unusual cash movements.

The Operational boundary for external debt is based on the same estimates as the authorised limit but without the additional headroom for unusual cash movements. This level also factors in the proposed approach to use internal cash-flow and future capital receipts as the preferred financing method for the capital programme.

	2023/24 Prudential Indicator	**Actual as at 30th September 2023**
Operational boundary – borrowing	£433m	£218.1m
Operational boundary – other long-term liabilities	£4m	£0m
Operational boundary – TOTAL	**£437m**	**£218.1m**
Authorised limit – borrowing	£462m	£218.1m
Authorised limit – other long-term liabilities	£4m	£0m
Authorised limit – TOTAL	**£466m**	**£218.1m**

2. Security: Average Credit Rating*
The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. A summary guide to credit ratings is set out at **Appendix 7**.

	2023/24 Prudential Indicator	**Actual as at 30th September 2023**
	Rating	Rating
Minimum Portfolio Average Credit Rating	A-	AA+

* *The calculation excludes the strategic investment in the CCLA Local Authority Property Fund and ESG focussed Investment Funds, which are unrated.*

3. Liquidity

The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

Liquidity risk indicator	2023/24 Prudential Indicator	Minimum During Quarter	Date of minimum
Minimum total Cash Available within 3 months	£15m	£30.0m	28-Sept-23

4. Interest rate exposures

This indicator is set to control the Council's exposure to interest rate risk. The upper limit represents the maximum one-year revenue impact of a 1% rise or fall in interest rates.

	2023/24 Prudential Indicator	Actual as at 30th September 2023
Upper limit on one-year revenue impact of a 1% rise in interest rates	+/- £1m	£0.357m
Upper limit on one-year revenue impact of a 1% fall in interest rates	+/- £1m	£0.357m

The impact of this limit is that the Council should never be holding a maturity adjusted net debt / investment position on variable rates of more than £100m.

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates, which includes amounts which are maturing each year in PWLB annuity loans.

5. Maturity Structure of borrowing

This indicator is set to control the Council's exposure to refinancing risk.

	Upper Limit	Lower Limit	Actual as at 30th September 2023
	%	%	%
Under 12 months	50	Nil	4.6
12 months and within 24 months	50	Nil	0.0
24 months and within 5 years	75	Nil	0.0
5 years and within 10 years	75	Nil	6.9
10 years and within 25 years	100	25	51.8
Over 25 years	100		36.7

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date that the lender can demand repayment. For LOBO's, this is shown at the date of maturity.

6. Upper limit for total principal sums invested for over 364 days

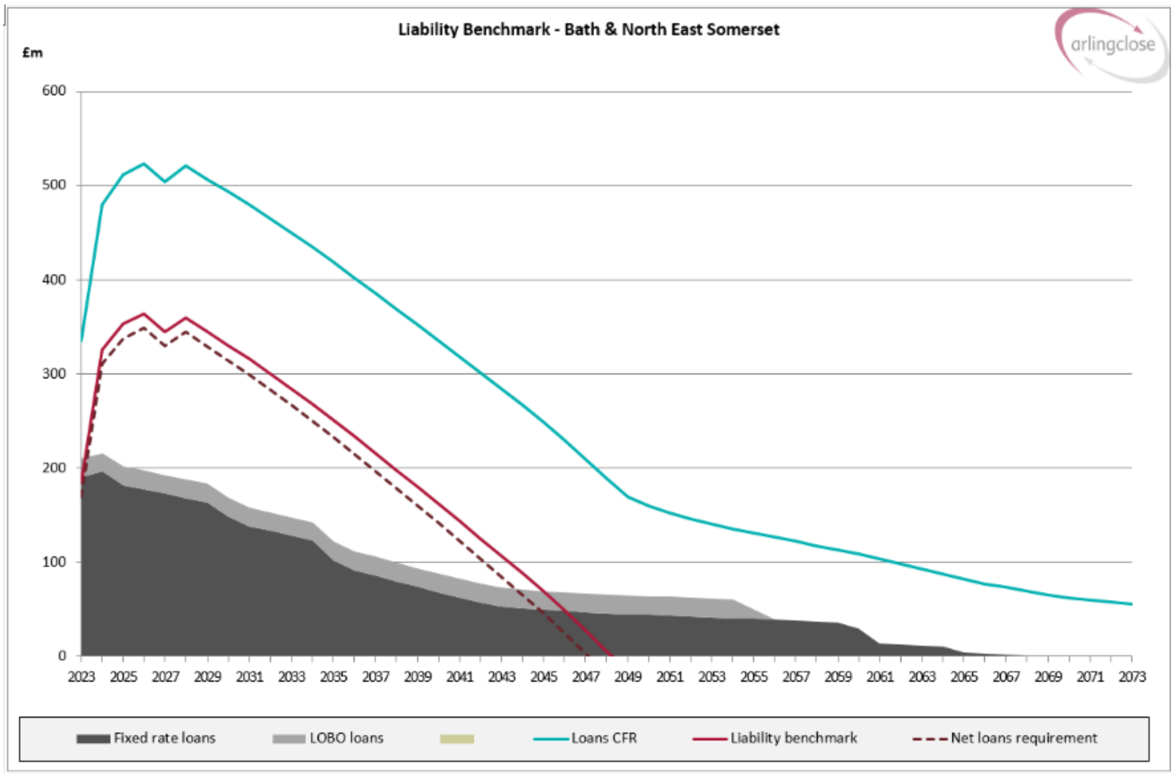
The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2023/24 Prudential Indicator	Actual as at 30th September 2023
Limit on principal invested beyond 31st March 2024	£50m	£10m*
Limit on principal invested beyond 31st March 2025	£20m	£10m*
Limit on principal invested beyond 31st March 2026	£10m	£10m*

*The Council includes the CCLA LA Property Fund & two long term ESG focussed Investment Funds against this indicator as they are both held as Long-Term Strategic Investments.

7. Liability Benchmark

The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.



The difference between actual borrowing (the grey slopes) and the liability benchmark (the solid red line) shows that the Council is under borrowed by around £109m in 2023/24. When it comes to considering new borrowing this funding gap can be used as a guide to the optimal amount and length of borrowing required to minimise interest rate and credit risk.

APPENDIX 2

The Council's Investment position at 30th September 2023

The term of investments is as follows:

Term Remaining	Balance at 30th September 2023	Comparator Balance at 30th June 2023
	£m	**£m**
Notice (instant access funds)	31.40	37.85
Up to 1 month	7.50	5.00
1 month to 3 months	0.00	0.00
3 months to 6 months	5.00	0.00
6 months to 12 months	0.00	0.00
Strategic Funds	10.00	10.00
Total	**53.90**	**52.85**

The investment figure is made up as follows:

	Balance at 30th September 2023	Comparator Balance at 30th June 2023
	£m	**£m**
B&NES Council	50.77	50.00
Schools	3.13	2.85
Total	**53.90**	**52.85**

The Council had a total average net positive balance of £54.11m during the period April 2023 to September 2023.

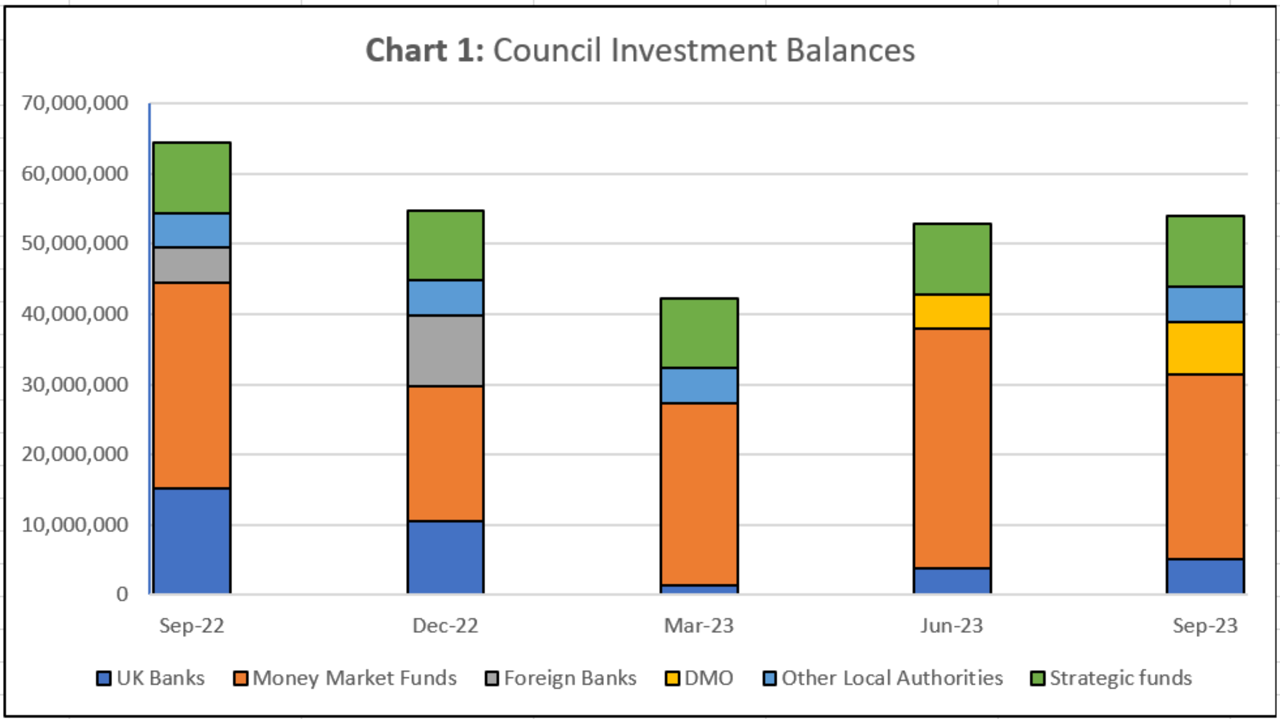


Chart 1: Council Investment Balances
70,000,000
60,000,000
50,000,000
40,000,000
30,000,000
20,000,000
10,000,000
0
Sep-22
Dec-22
Mar-23
Jun-23
Sep-23
UK Banks
Money Market Funds
Foreign Banks
DMO
Other Local Authorities
Strategic funds

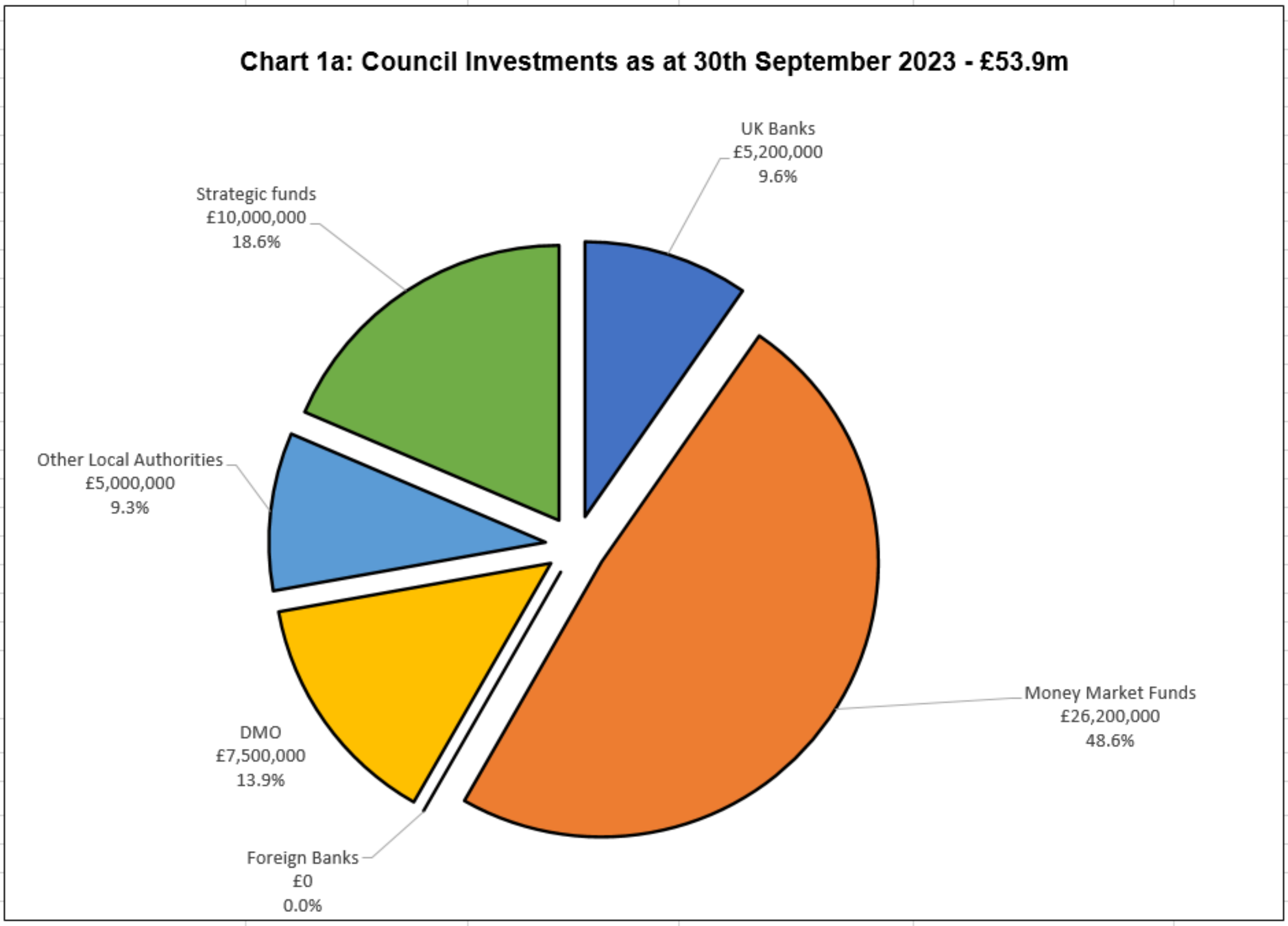


Chart 1a: Council Investments as at 30th September 2023 - £53.9m
UK Banks £5,200,000 9.6%
Strategic funds £10,000,000 18.6%
Other Local Authorities £5,000,000 9.3%
Money Market Funds £26,200,000 48.6%
DMO £7,500,000 13.9%
Foreign Banks £0 0.0%

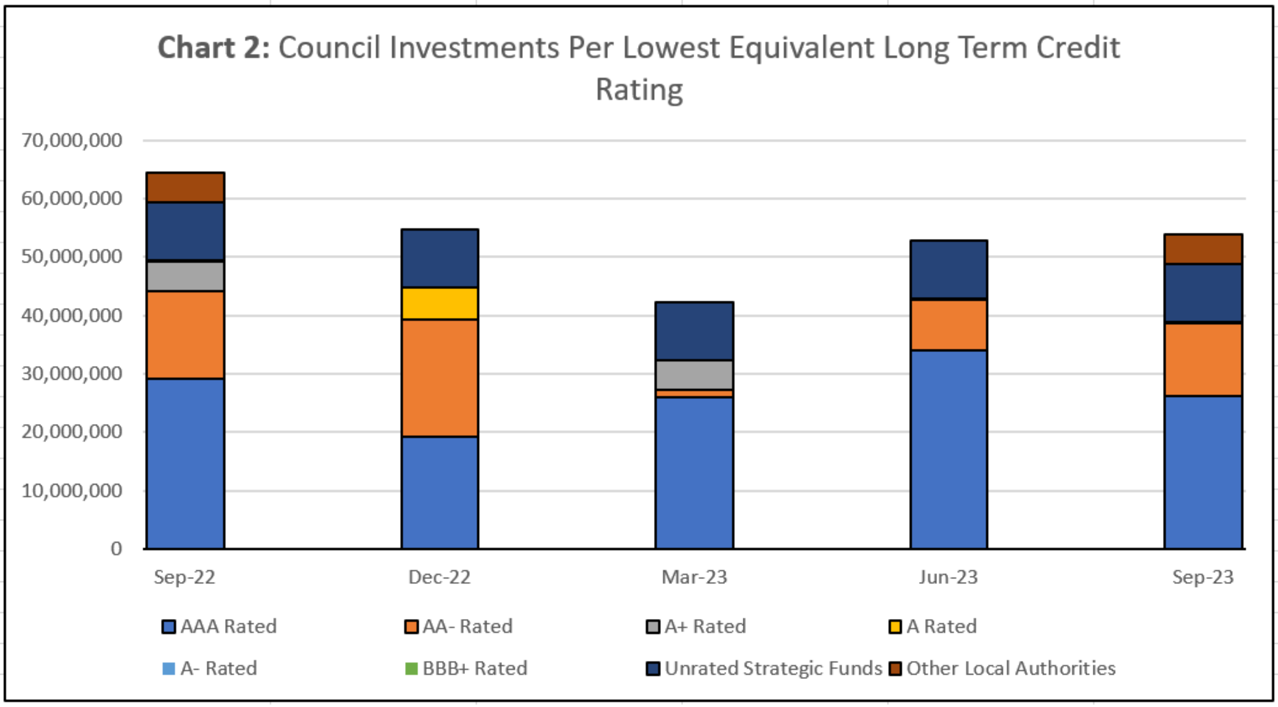


Chart 2: Council Investments Per Lowest Equivalent Long Term Credit Rating
70,000,000
60,000,000
50,000,000
40,000,000
30,000,000
20,000,000
10,000,000
0
Sep-22
Dec-22
Mar-23
Jun-23
Sep-23
AAA Rated
AA- Rated
A+ Rated
A Rated
A- Rated
BBB+ Rated
Unrated Strategic Funds
Other Local Authorities

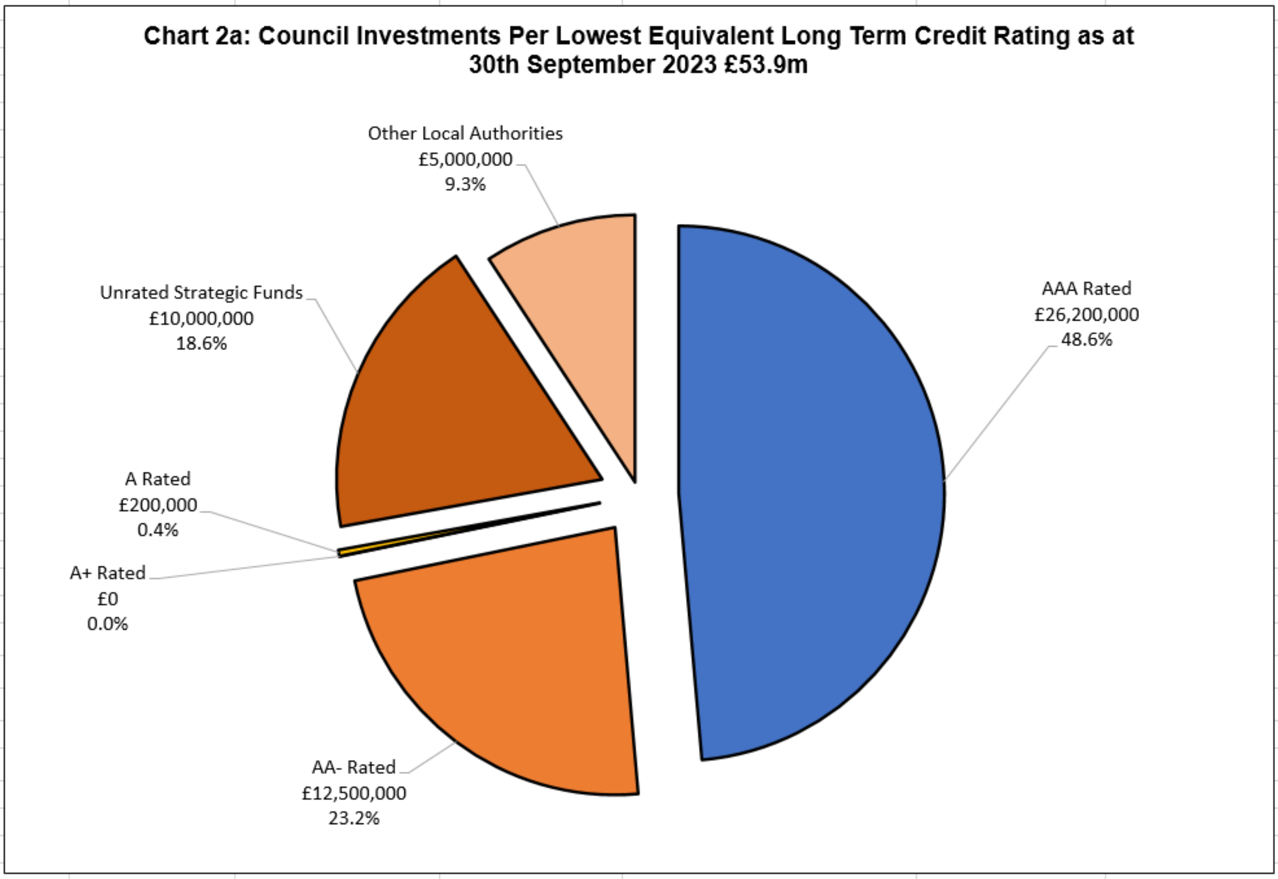


Chart 2a: Council Investments Per Lowest Equivalent Long Term Credit Rating as at 30th September 2023 £53.9m
Other Local Authorities
£5,000,000
9.3%
AAA Rated
£26,200,000
48.6%
Unrated Strategic Funds
£10,000,000
18.6%
A Rated
£200,000
0.4%
A+ Rated
£0
0.0%
AA- Rated
£12,500,000
23.2%

APPENDIX 3

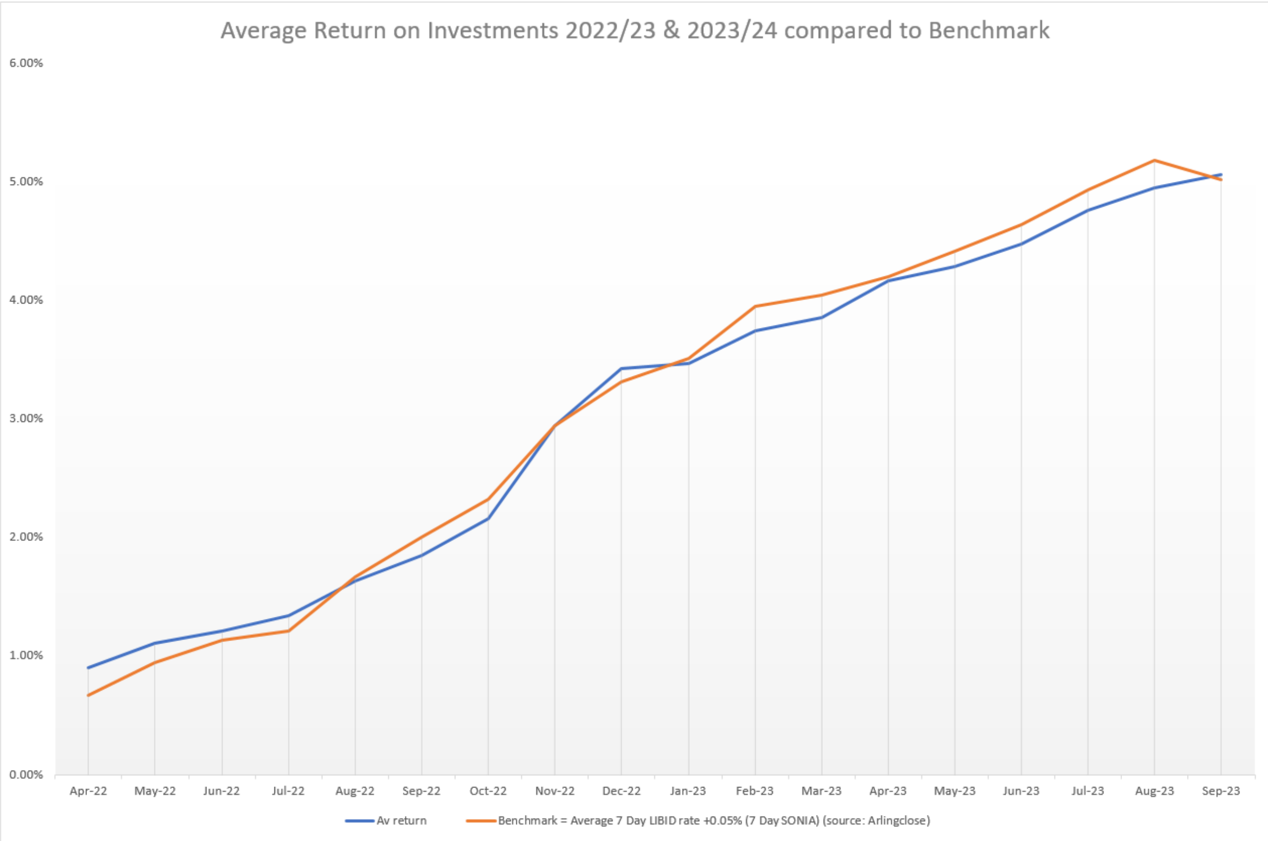
Average rate of return on investments for 2023/24

	Average rate of interest earned	**Benchmark = Average 7 Day SONIA rate**	**Performance against Benchmark**
April 2023	4.15%	4.20%	-0.04%
May 2023	4.28%	4.41%	-0.13%
June 2023	4.46%	4.64%	-0.17%
July 2023#	4.76%	4.93%	-0.17%
August 2023#	4.95%	5.18%	-0.23%
September 2023#	5.06%	5.02%	0.04%
Average	**4.64%**	**4.73%**	**-0.09%**

Includes **estimates** for Q2 Strategic Investments returns – actuals will not be known until after dispatch so will be updated in Q3 report

For Comparison, the average rate of return on investments for 2022/23 was as follows:

	Average rate of interest earned	**Benchmark = Average 7 Day SONIA rate**	**Performance against Benchmark**
April 2022	0.90%	0.67%	+0.23%
May 2022	1.11%	0.94%	+0.18%
June 2022	1.21%	1.13%	+0.08%
July 2022	1.34%	1.21%	+0.13%
August 2022	1.63%	1.67%	-0.04%
September 2022	1.85%	2.00%	-0.15%
October 2022	2.16%	2.32%	-0.16%
November 2022	2.94%	2.94%	0.00%
December 2022	3.42%	3.31%	+0.11%
January 2023	3.47%	3.51%	-0.04%
February 2023	3.74%	3.95%	-0.21%
March 2023	3.85%	4.04%	-0.19%
Average	**2.09%**	**2.30%**	**-0.21%**


Average Return on Investments 2022/23 & 2023/24 compared to Benchmark
6.00%
5.00%
4.00%
3.00%
2.00%
1.00%
0.00%
Apr-22
May-22
Jun-22
Jul-22
Aug-22
Sep-22
Oct-22
Nov-22
Dec-22
Jan-23
Feb-23
Mar-23
Apr-23
May-23
Jun-23
Jul-23
Aug-23
Sep-23
Av return
Benchmark = Average 7 Day LIBID rate +0.05% (7 Day SONIA) (source: Arlingclose)

APPENDIX 4

Council's External Borrowing at 30th September 2023

Lender	Amount outstanding @ 30th June 2023	Change in Quarter	Amount outstanding @ 31st August 2023	Start date	End date	Interest rate
	£	£	£			
Long term						
PWLB489142	10,000,000	-	**10,000,000**	15/10/2004	15/10/2034	4.75%
PWLB497233	5,000,000	-	**5,000,000**	12/05/2010	15/08/2035	4.55%
PWLB497234	5,000,000	-	**5,000,000**	12/05/2010	15/02/2060	4.53%
PWLB498834	5,000,000	-	**5,000,000**	05/08/2011	15/02/2031	4.86%
PWLB498835	10,000,000	-	**10,000,000**	05/08/2011	15/08/2029	4.80%
PWLB498836	15,000,000	-	**15,000,000**	05/08/2011	15/02/2061	4.96%
PWLB503684	5,300,000	-	**5,300,000**	29/01/2015	08/04/2034	2.62%
PWLB503685	5,000,000	-	**5,000,000**	29/01/2015	08/10/2064	2.92%
PWLB505122	15,525,299	-	**15,525,299**	20/06/2016	20/06/2041	2.36%
PWLB508126	8,443,250	-	**8,443,250**	06/12/2018	20/06/2043	2.38%
PWLB508202	9,476,058	-	**9,476,058**	12/12/2018	20/06/2068	2.59%
PWLB508224	4,210,397	-	**4,210,397**	13/12/2018	20/06/2043	2.25%
PWLB505744	7,810,341	(196,274)	**7,614,067**	24/02/2017	15/08/2039	2.28%
PWLB505966	8,085,202	(171,528)	**7,913,674**	04/04/2017	15/02/2042	2.26%
PWLB506052	6,870,715	(145,906)	**6,724,810**	08/05/2017	15/02/2042	2.25%
PWLB506255	6,559,998	-	**6,559,998**	10/08/2017	10/04/2067	2.64%
PWLB506729	8,271,625	-	**8,271,625**	13/12/2017	10/10/2042	2.35%
PWLB506995	8,303,098	-	**8,303,098**	06/03/2018	10/10/2042	2.52%
PWLB506996	8,699,377	-	**8,699,377**	06/03/2018	10/10/2047	2.62%
PWLB507749	8,613,628	(163,510)	**8,450,118**	10/09/2018	20/07/2043	2.42%
PWLB508485	19,141,417	(113,497)	**19,027,920**	11/02/2019	20/07/2068	2.52%
PWLB509840	8,800,947	(176,123)	**8,624,824**	04/09/2019	20/07/2044	1.40%
KBC Bank N.V *	5,000,000	-	**5,000,000**	08/10/2004	08/10/2054	4.50%
KBC Bank N.V *	5,000,000	-	**5,000,000**	08/10/2004	08/10/2054	4.50%
Commerzbank AG Frankfurt*	10,000,000	-	**10,000,000**	27/04/2005	27/04/2055	4.50%
Medium term						
West of England Combined	5,000,000	-	**5,000,000**	28/04/2023	26/04/2024	4.45%
Portsmouth C.C.	5,000,000	-	**5,000,000**	28/04/2023	26/04/2024	4.45%
Total Borrowing	**219,111,351**	(966,838)	**218,144,513**			

*All LOBO's (Lender Option / Borrower Option) have reached the end of their fixed interest period and have reverted to the variable rate of 4.50%. The lender has the option to change the interest rate at 6 monthly intervals. Should the lender use the option to change the rate, then at this point the borrower has the option to repay the loan without penalty.

The "Change in Quarter" movement on some of the PWLB loans reflects that these loans have an annuity repayment profile, so repayments of principal are made on a 6 monthly basis throughout the life of the loans.

APPENDIX 5: Arlingclose Economic & Market Review

Economic background: UK inflation remained stubbornly high over much the period compared to the US and euro zone, keeping expectations elevated of how much further the Bank of England (BoE) would hike rates compared to the regions. However, inflation data published in the latter part of the period undershot expectations, causing financial markets to reassess the peak in BoE Bank Rate. This was followed very soon after by the BoE deciding to keep Bank Rate on hold at 5.25% in September, against expectation for another 0.25% rise.

Economic growth in the UK remained relatively weak over the period. In calendar Q2 2023, the economy expanded by 0.4%, beating expectations of a 0.2% increase. However, monthly GDP data showed a 0.5% contraction in July, the largest fall to date in 2023 and worse than the 0.2% decline predicted which could be an indication the monetary tightening cycle is starting to cause recessionary or at the very least stagnating economic conditions.

July data showed the unemployment rate increased to 4.3% (3mth/year) while the employment rate rose to 75.5%. Pay growth was 8.5% for total pay (including bonuses) and 7.8% for regular pay, which for the latter was the highest recorded annual growth rate. Adjusting for inflation, pay growth in real terms were positive at 1.2% and 0.6% for total pay and regular pay respectively.

Inflation continued to fall from its peak as annual headline CPI declined to 6.7% in July 2023 from 6.8% in the previous month against expectations for a tick back up to 7.0%. The largest downward contribution came from food prices. The core rate also surprised on the downside, falling to 6.2% from 6.9% compared to predictions for it to only edge down to 6.8%.

The Bank of England's Monetary Policy Committee continued tightening monetary policy over most of the period, taking Bank Rate to 5.25% in August. Against expectations of a further hike in September, the Committee voted 5-4 to maintain Bank Rate at 5.25%. Each of the four dissenters were in favour of another 0.25% increase.

Financial market Bank Rate expectations moderated over the period as falling inflation and weakening data gave some indication that higher interest rates were working. Expectations fell from predicting a peak of over 6% in June to 5.5% just ahead of the September MPC meeting, and to then expecting 5.25% to be the peak by the end of the period.

Following the September MPC meeting, Arlingclose, the authority's treasury adviser, modestly revised its interest forecast to reflect the central view that 5.25% will now be the peak in Bank Rate. In the short term the risks are to the upside if inflation increases again, but over the remaining part of the time horizon the risks are to the downside from economic activity weakening more than expected.

The lagged effect of monetary policy together with the staggered fixed term mortgage maturities over the next 12-24 months means the full impact from Bank Rate rises are still yet to be felt by households. As such, while consumer confidence continued to improve over the period, the GfK measure hit -21 in September, it is likely this will reverse at some point. Higher rates will also impact business and according to S&P/CIPS survey data, the UK manufacturing and services sector contracted during the quarter with all measures scoring under 50, indicating contraction in the sectors.

The US Federal Reserve increased its key interest rate to 5.25-5.50% over the period, pausing in September following a 0.25% rise the month before, and indicating that it may have not quite completed its monetary tightemrpning cycle.

Having fallen throughout 2023, annual US inflation started to pick up again in July 2023, rising from 3% in June, which represented the lowest level since March 2021, to 3.2% in July and then jumping again to 3.7% in August, beating expectations for a rise to 3.6%. Rising oil prices were the main cause of the increase. US GDP growth registered 2.1% annualised in the second calendar quarter of 2023, down from the initial estimate of 2.4% but above the 2% expansion seen in the first quarter.

The European Central Bank increased its key deposit, main refinancing, and marginal lending interest rates to 4.00%, 4.50% and 4.75% respectively in September, and hinted these levels may represent the peak in rates but also emphasising rates would stay high for as long as required to bring inflation down to target.

Although continuing to decline steadily, inflation has been sticky, Eurozone annual headline CPI fell to 5.2% in August while annual core inflation eased to 5.3% having stuck at 5.5% in the previous two months. GDP growth remains weak, with recent data showing the region expanded by only 0.1% in the three months to June 2023, the rate as the previous quarter.

Financial markets: Financial market sentiment and bond yields remained volatile, with the latter generally trending downwards as there were signs inflation, while still high, was moderating and interest rates were at a peak.

Gilt yields fell towards the end of the period. The 5-year UK benchmark gilt yield rose from 3.30% to peak at 4.91% in July before trending downwards to 4.29%, the 10-year gilt yield rose from 3.43% to 4.75% in August before declining to 4.45%, and the 20-year yield from 3.75% to 4.97% in August and then fell back to 4.84%. The Sterling Overnight Rate (SONIA) averaged 4.73% over the period.

Credit review: Having completed a review of its credit advice on unsecured deposits at UK and non-UK banks following concerns of a wider financial crisis after the collapse of Silicon Valley Bank purchase of Credit Suisse by UBS, as well as other well-publicised banking sector issues, in March Arlingclose reduced the advised maximum duration limit for all banks on its recommended counterparty list to 35 days. This stance continued to be maintained at the end of the period.

During the second quarter of the period, Moody's revised the outlook on Svenska Handelsbanken to negative from stable, citing concerns around the Swedish real estate sector.

Having put the US sovereign rating on Rating Watch Negative earlier in the period, Fitch took further action in August, downgrading the long-term rating to AA+, partly around ongoing debt ceiling concerns but also an expected fiscal deterioration over the next couple of years.

Following the issue of a Section 114 notice, in September Arlingclose advised against undertaking new lending to Birmingham City Council, and later in the month cut its recommended duration on Warrington Borough Council to a maximum of 100 days.

Arlingclose continued to monitor and assess credit default swap levels for signs of ongoing credit stress and although no changes were made to recommended durations over the period, Northern Trust Corporation was added to the counterparty list.

Heightened market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

APPENDIX 6

Interest & Capital Financing Costs – Budget Monitoring 2023/24

April 2023 to September 2023	YEAR END POSITION			ADV/FAV
	Budgeted Spend or (Income) £'000	Actual Spend or (Income) £'000	Actual over or (under) spend £'000	
Interest & Capital Financing				
- Debt Costs	8,873	8,073	(800)	FAV
- Internal Repayment of Loan Charges	(14,708)	(14,708)	0	-
- Ex Avon Debt Costs	910	900	(10)	FAV
- Minimum Revenue Provision (MRP)	11,164	11,164	0	-
- Interest on Balances*	(1,450)	(1,750)	(300)	FAV
Total	**4,789**	**3,679**	**(1,110)**	**FAV**

APPENDIX 7

Summary Guide to Credit Ratings

Rating	Details
AAA	Highest credit quality – lowest expectation of default, which is unlikely to be adversely affected by foreseeable events.
AA	Very high credit quality - expectation of very low default risk, which is not likely to be significantly vulnerable to foreseeable events.
A	High credit quality - expectations of low default risk which may be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
BBB	Good credit quality - expectations of default risk are currently low but adverse business or economic conditions are more likely to impair this capacity.
BB	Speculative - indicates an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time.
B	Highly speculative - indicates that material default risk is present, but a limited margin of safety remains. Capacity for continued payment is vulnerable to deterioration in the business and economic environment.
CCC	Substantial credit risk - default is a real possibility.
CC	Very high levels of credit risk - default of some kind appears probable.
C	Exceptionally high levels of credit risk - default is imminent or inevitable.
RD	Restricted default - indicates an issuer that has experienced payment default on a bond, loan, or other material financial obligation but which has not entered into bankruptcy filings, administration, receivership, liquidation, or other formal winding-up procedure, and which has not otherwise ceased operating.
D	Default - indicates an issuer that has entered into bankruptcy filings, administration, receivership, liquidation, or other formal winding-up procedure, or which has otherwise ceased business.

APPENDIX 8

Extract from Treasury Management Risk Register – Top 5 Risks

	Risk Nr	Description	Current Risk Score: Likelihood L 1	Likelihood L 2	Likelihood M 3	Likelihood H 4	Likelihood H 5	Impact L 1	Impact L 2	Impact M 3	Impact H 4	Impact H 5	This Period	Trend: Periods Ago 1	Periods Ago 2	Periods Ago 3	Management Action
1	R01	Liquidity Risk - The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation's business/service objectives will be thereby compromised.		2						3			6	6	6	6	Obtain approval of annual Treasury Management Strategy by February Council. Carry out weekly reviews of investment portfolio and planned actions. Carry out monthly dashboard meeting with Chief Finance Officer. Consider short and medium term cash balances and cashflows to inform any short - medium term borrowing requirement.
2	R02	Interest Rate Risk - The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately				4				3			12	12	12	9	Monitor interest rates on a monthly basis and compare with budget to determine impact on Council finances and report through monthly Treasury Dashboard. Report implication of interest rate changes to Cabinet as part of quarterly Treasury Management Performance Report. Explore alternative potential investment products following new freedoms - including corporate bonds, gilts, Certificate of Deposits etc. Discussion with our treasury advisors on any new borrowing in terms of duration and timing given the current volatility in the gilt market and PWLB interest rates.
3	R04	Inflation Risk - The risk that prevailing levels of inflation cause an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.				4					4		16	16	16	12	Liaise with Chief Finance Officer to ensure Inflation both current and projected forms part of the medium term financial planning framework.
4	R05	Credit and Counterparty Risk - The risk of failure by a third party to meet its contractual obligations to the organisation under an investment, borrowing, capital, project or partnership financing, particularly as a result of the third party's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources.			3						4		12	12	12	12	Complete annual review of Counterparty List with external advisors to feed into Treasury Management Strategy. Regular review of counterparty financial standing through use of credit ratings, credit default swap rates and national press coverage and liaison with Chief Finance Officer and external advisors to consider any issues / change in circumstances of counterparties.
5	R09	Key Personnel - There is a risk that staff absence results in the inability to process Treasury Management transactions.			3					3			9	9	9	9	Produce & maintain a Business Continuity Plan to manage staff absences Provide refresher training and periodically ask secondary process operators to run the treasury process to ensure that there are a number of people able to perform the treasury activity

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Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	1st November 2023	**AGENDA ITEM NUMBER**
TITLE:	Internal Audit – Update Report (Planned Work 2023/24)	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 - Audit Reviews Position Statement (2023/24) Appendix 2 – Follow-Up Reviews		

1 THE ISSUE

1.1 This report is to provide an update on the work of the Internal Audit team and progress made in delivering the Annual Audit Assurance Plan 2023/24 which was presented and approved by the Committee on 15th March 2023.

2 RECOMMENDATION

2.1 The Corporate Audit Committee notes the progress in delivery of the 2023/24 Annual Audit Assurance Plan and approves the proposed amendment to the Audit Plan 2023/24.

3 THE REPORT

3.1 The Annual Internal Audit Plan for 2023/24 was presented to the Corporate Audit Committee on the 15th March 2023.

3.2 INTERNAL AUDIT WORK UPDATE

3.2.1 Internal Audit Plan – Half Year Review

3.2.2 This report summarises the work of the Internal Audit team during 2023/24, this includes planned and unplanned reviews from the 2023/24 audit plan along with carried forward work from 2022/23 and associated work to support the internal control framework.

3.2.3 The 2023/24 Internal Audit Plan approved in March 2023 recorded 35 areas to audit and provide assurance to management, the Audit Committee and Council. Appendix 1 records progress to 30th September 2023.

3.2.4 Having personnel resource in place to fulfil work plans has been an issue in recent years. We have lost two experienced Audit Managers within the last 19 months and despite going out to recruit we were unable to attract suitable candidates. Our focus has therefore to retain team members. Based on three Auditors gaining experience and /or qualifications we were able to promote them to Senior Auditor positions at the beginning of the financial year. Unfortunately, despite getting promotion, we were still unable to retain one of the three and they left our employment at the end of July. Another Senior Auditor has recently resigned, and they are due to leave the team at the end of November. The good news is that we have appointed two Auditors, one joined us at the start of October and the other will join us in late November.

3.2.5 The reduction of staff resources has been considered during the half yearly review of the Internal Audit Plan. The review process not only takes into account any changes in resources but also changes in the Council's operations, risks and systems of internal control. This review has resulted in a decision to amend the Internal Audit Plan 2023/24 as follows:

1) Postpone three audits to 2024/25:

i) Climate & Ecological Emergency Response - Performance Monitoring / Reporting. This is based on two separate audit reviews being carried out over the previous two financial years. 2021/22 - Climate Emergency – Response {Final Report dated September 2022 – Assurance Level 3 (Reasonable Assurance}. 2022/23 - Ecological Emergency – Response {Final Report dated July 2023 – Assurance Level 3}. The objective of the 'Performance Monitoring / Reporting' review was to consider implementation of planned actions and the performance of other services such as Planning re the Bio Diversity Net Gains planning condition requirements which was incorporated into the Local Plan.

ii) Corporate Estate - Planned Maintenance. There were two separate audits of planned maintenance based on the separation of Corporate & Commercial Estates. Based on the on-going work of the Business Change Hub team review of maintenance within the Corporate Landlord Model Programme we will rationalise our audit review and we will reduce the allocated time and carry out a single Property Maintenance Audit Review.

iii) Corporate Estate - Energy Management. Based on recent procurement activity with the objective of entering a new contract wef 1st April 2024 it is appropriate to delay our review until 2024/25.

2) Monitor the completion of planned and unplanned audit work, and if necessary, postpone two further audit reviews:

i) Housing Services - Management of Housing Rent & Charges

ii) Payroll (Variations - including mileage & expenses)

These five audit reviews have been highlighted in red in Appendix 1 and Committee is being asked to formally approve an amendment to the Internal Audit Plan 2023/24.

3.2.6 **Audit Reviews in the 2022/23 Internal Audit Plan carry forward into 2023/24 (Audit Reports Published in 2023/24) -** As at the date of reporting to the last Audit Committee (5th July 2023), three 2022/23 Audit Reviews were still work in progress or at/or near report writing stage. The work on these reviews has now been fully completed and the Assurance Levels assigned are as recorded below:

Audit Review	**Scope / Objective of Review**	**Assurance Level**
IT – User Education & Awareness	1) User awareness and understanding of cyber risks and security procedures are maintained at acceptable levels. 2) Users accept that cyber security policies and procedures are closely aligned to their primary delivery objectives.	2 (Limited)
IT – Software Asset Management	1) software assets support a business need and comply with relevant policies, rules, and legislation. 2) software is used in compliance with the specific vendor license agreements to avoid legal sanctions or financial penalties. 3) comprehensive visibility, optimisation, and proactive monitoring of all software assets across the Council to enable effective IT-related risk identification. 4) software assets are decommissioned securely, with all confidential and sensitive enterprise data removed.	2 (Limited)
Income Management – Collection & Reconciliation	1) income received from ‘Cash Locations’ is processed, banked, and accurately accounted for within the Council’s financial systems in a timely manner.	4 (Substantial)

3.2.7 Two of the audit reviews resulted in Level 2 ‘limited’ assurance ratings being assigned. Further information about agreed actions to improve the internal control environment are recorded below.

3.2.8 IT Software Asset Management actions included:

1) Create and implement an ITAM policy incorporating software asset management.

2) A completion date for the implementation and optimisation of Service Now as the central inventory for licensed software assets should be adopted.

3) Implement a periodic reporting process that highlights key software asset information to management.

4) Implement periodic spot-checks of service areas to detect Shadow IT / unauthorised web-based software used.

5) The IT service risk register to be updated to include risks and mitigating actions related to Software Asset Management.

It should be noted that management have formally agreed to implement audit recommendations by 1st April 2024

3.2.9 IT – User Education & Awareness actions included:

1) Update the Security Policy to require users to refresh cyber security training annually. Best practice (10 Steps) is to deliver cyber security training in small, frequent chunks and the Council should consider investing in a training solution that is designed to work in this way.

2) Review and update the Information Security Policy and guidance to ensure a consistent message with the cyber security e-learning "Stay Safe Online" re password format to be used.

3) Create a security incident reporting policy to direct users to report incidents and guide them to how to report those incidents.

4) Periodically update the cyber security training so that users do not see the same e-learning package or video each time they refresh their training.

5) Measure user security awareness levels over the medium and long term – use of survey and / or monitor trends, e.g. incident numbers / types.

It should be noted that management have formally agreed to implement audit recommendations by November 2023.

3.2.10 **Internal Audit Plan Work 2023/24** - In relation to the 2023/24 planned work, 6 audit reviews are at report stage and another 11 are ‘Work-In Progress’.

3.2.11 All of the ‘Assurance Reports’ issued, provided an Assurance Rating of Level 3 (‘Reasonable Assurance’) or above.

3.2.12 In addition to the formal reviews carried out as part of the 2023/24 Audit Plan, other work carried out by the team includes:

Grant Certification Work – The bulk of the grant expenditure review and certification is carried out during the month of April. Twenty-nine grant certification reviews had been completed up to the end of September. This generally relates to external funding received from the West of England Combined Authority, some are related to the direct award of grants from government departments.

National Fraud Initiative (NFI) - The Internal Audit Team co-ordinate the work required to submit data to the Cabinet Office and the subsequent investigation work and reporting back on findings. The Cabinet Office data matching reports for NFI 2022 were made available at the start of 2023 and have been subject to review by officers in the relevant service areas. An Anti-Fraud and Corruption report / briefing will be provided to this Committee in early 2024.

Investigations, Whistleblowing & Unplanned Work – Internal Audit have responded to two reports of ‘financial irregularity’ requiring advice/ investigation. One reported case of potential misappropriation of assets was referred by the Internal Audit team to the One West Investigations Team. Initial enquiries were carried out in relation to the second reported case, following these enquiries it was concluded that ‘No further Action’ was required and the case was closed.

3.2.13 For the first 6 months of 2023/24, there have not been any whistleblowing cases reported to Internal Audit which have highlighted dangerous, illegal or unethical activity by Council Officers or Members that required investigation.

3.2.14 **Follow-Up Reviews -** The Internal Audit team have carried out 7 Audit ‘Follow-Up’ reviews to ensure sufficient action has been taken to manage the internal control risks identified and reported. The ‘Follow-Ups are recorded in the table at Appendix 2 – a simple RAG rating has been used to indicate Internal Audit’s assessment as at the date of the ‘Follow-Up’ activity.

4 STATUTORY CONSIDERATIONS

4.1 There are no specific statutory considerations related to this report. Accounts & Audit Regulations set out the expectations of provision of an Internal Audit service. This is supported by S151 of the Local Government Act and CIFPA Codes of Practice and the IIA professional standards for delivery of an adequate Internal Audit Service.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

5.1 There are no direct resource implications relevant to this report.

6 RISK MANAGEMENT

6.1 A proportionate risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision-making risk management guidance. Significant risks to the council arising from an ineffective Internal Audit Service include lack of internal control, failures of governance and weak risk management. Specific risks include supplementary External Audit Fees and undetected fraud. Internal Audit assists the Council in identifying risks, improvement areas and recommending good practice.

6.2 The Corporate Audit Committee has specific responsibility for ensuring the Council’s Risk Management and Financial Governance framework is robust and effective.

7 EQUALITIES

7.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

8 CLIMATE CHANGE

8.1 There are no direct climate change implications related to this report.

9 OTHER OPTIONS CONSIDERED

9.1 No other options to consider related to this report.

10 CONSULTATION

10.1 The Council's Section 151 Officer has had the opportunity to input to this report and has cleared it for publication.

Contact person	*Andy Cox (01225 477316) Jeff Wring (01225 477323)*
Background papers	*Reports to Corporate Audit Committee – 29th April 2021 'Audit & Assurance Annual Report 2020/21'; 14th July 2022 'Property Compliance Internal Audit Report 2021 – Update'; 15th March 2023 'Internal Audit Plan - 2023/2024'.*
Please contact the report author if you need to access this report in an alternative format	

Audit Reviews Position Statement (as at 30th September 2023) Appendix 1

Ref	Topic	Status	Assurance Level	Recommendations Made	Recommendations Agreed
23-001B	Adult Community Services - Governance - Programme Management	Final	4	4	4
23-002B	Children Services - Implementation of Management Plan	WIP			
23-003B	Workforce - Recruitment & Retention	WIP			
23-004B	WECA Funded Regeneration Schemes - Use of Funding within timescales				
23-005B	Dedicated Schools Grant Safety Valve Agreement - Delivery Plan				
23-006B	City Regions Sustainable Transport - Liveable Neighbourhood Strategy - Outcomes (Value for Money)				
23-007B	Debt Management - Corporate Policy				
23-008B	Home to School Transport - Current and future management & delivery	Final	3	13	8
23-009B	School Theme Review - Schools Financial Value Standard (Maintained Schools)	Final	4	N/A	N/A
23-010B	Planning Enforcement				
23-011B	Financial Accounting - Budget Management (Budget monitoring & implementation of savings / financial mitigations)				
23-012B	Procurement - Modern Slavery - (compliance with legislation & best practice)	WIP			
23-013B	Brokerage Service - Adult Social Care - Scheme of Delegation and Approval of Package of Care / Placements				
23-014B	Care Leavers - Extended Duties (Statutory Responsibilities)	Draft	3	7	
23-015B	Business Change Hub - Programme & Project Management				
23-016B	Procurement - Purchase Card expenditure	WIP			
23-017B	Avon Pension Fund --Pension Investments Reporting	Final	4	4	4
23-018B	Avon Pension Fund - Scheme of Delegation	WIP			
23-019B	Avon Pension Fund - Data Transfer Management				
23-020B	Avon Pension Fund - Digital Strategy				
23-021B	Housing Services - Management of Housing Rent & Charges				
23-022B	~~Corporate Estate - Energy Management~~				
23-023B	Deputyship Service	Final	3	10	10
23-024B	GLL Contract Management - Governance	WIP			
23-025B	Treasury Management - Funding and Investment Transactions (Bankline)	WIP			
23-026B	Payroll (Variations - including mileage & expenses)				
23-027B	~~Climate & Ecological Emergency Response - Performance Monitoring / Reporting~~				
23-028B	User Access Management - Starters, Leavers (Council) and Post Changes				
23-029B	Firewalls	WIP			
23-030B	Malware and Ransomware	WIP			
23-031B	IT Services Recovery Management				
23-032B	Corporate Wi-Fi Networks and Smart Devices.	WIP			
23-033B	Property - Corporate & Commercial Estate Planned Reactive Maintenance				
23-034B	Foster Care Placement Payments (Unaccompanied asylum-seeking children)	WIP			
23-035B	~~Corporate Estate - Planned Maintenance~~				

Follow-Up Reviews Appendix 2

Audit Report	Reported Assurance Level	Summary of Follow-Up findings
21-009 In-Year Budget Management & Forecasting	4 Substantial Assurance	1 Medium Risk recommendation implemented. 4 Medium and 1 Low Risk recommendations scheduled to be implemented Management have been asked to monitor implementation of outstanding actions
21-015B Climate Emergency Response	3 Reasonable Assurance	2 of the 3 High Risk recommendations implemented. Further work to do on Climate Change Adaption Strategy
21-031B Cyber Incident Response Plan	2 Limited Assurance	Green - 6 recommendations fully implemented, 1 partially implemented and 2 not implemented. Revised implementation dates were agreed for all 3 outstanding recommendations
21-022B Health Safety Wellbeing – Managing the Risks	2 Limited Assurance	Green – 5 recommendations implemented. 1 Partial implementation based on reliance of other Directorates / Services to maintain risk registers
22-031B **Business Rates (NNDR) Exemptions & Discounts**	4 Substantial Assurance	Green - 1 recommendation implemented in full
22-031B **Council Tax Exemptions & Discounts**	4 Substantial Assurance	Green - 2 recommendations implemented in full
22-022B Community Equipment	2 Limited Assurance	Green 2 High Risk and 2 Medium Risk recommendations implemented. 1 Medium Risk partially implemented

Bath & North East Somerset Council		
MEETING:	**Corporate Audit Committee**	
MEETING DATE:	**1st November 2023**	**AGENDA ITEM NUMBER**
TITLE:	**Audit Committee – Draft Workplan**	
AN OPEN PUBLIC ITEM		
List of attachments to this report: **Appendix 1 – Draft Workplan 23/24**		

1 THE ISSUE

1.1 The draft workplan for the Committee is attached at Appendix 1 for comment.

2 RECOMMENDATION

2.1 The Corporate Audit Committee is asked to –

Note the 2023/24 workplan for the Committee subject to any proposed amendments.

3 FINANCIAL IMPLICATIONS

3.1 There are no new financial implications from this report directly.

4 THE REPORT

4.1 The workplan for the Committee ensures that the terms of reference for the Committee are appropriately delivered. Appendix 1 details the current workplan which is kept under ongoing review and the Committee is asked to note this, subject to any comments or proposed amendments.

5 RISK MANAGEMENT

5.1 A proportionate risk assessment has been carried out in relation to the Councils risk management guidance. There are not any significant risks or issues to report to the Committee as a result of this report.

6. EQUALITIES

6.1 A proportionate equalities impact assessment has been carried out using corporate guidelines, no significant issues to report.

7 CONSULTATION

7.1 Consultation has been carried out with the Section 151 Finance Officer.

Contact person	Jeff Wring, Director – One West (01225 477323)
Background papers	
Please contact the report author if you need to access this report in an alternative format	

Bath & North East Somerset Council

Improving People's Lives

Appendix 1 - CORPORATE AUDIT COMMITTEE WORKPLAN – 2023/24

Date of meeting	**Report title**
5th July 2023	External Audit Plan for Council 2022/23 Treasury Management Outturn 2022/23 Internal Audit Annual Report 2022/23 Audit Committee Annual Report 2022/23
1st November 2023	Annual Accounts 2022/23 – Informal Briefing ADL Accounts 2022/23 Update External Audit Plan for Pension Fund 2022/23 External Audit Plan for VFM Assessment 2021/22 & 2022/23 Treasury Management 6 month update 2023/24 IA 6 month Performance Report update 2023/24
22nd November 2023	2022/23 External Audit Findings & Accounts & Annual Governance Statement Approval 2021/22 and 2022/23 External Audit VFM Assessment Report

7th February 2024	Treasury Management Strategy 2024/25 Consultation Internal Audit Plan 2024/25 Consultation Counter-Fraud Annual Report & Presentation Risk Management Update Report Annual Governance Statement Update
1st May 2024	External Audit Plan for Council & Avon Pension Fund 2023/24 Internal Audit 2023/24 Annual Report Internal Audit Plan 2024/25 Approval Risk Management Update Report