Bath & North East Somerset Council

Audit Committee

Date: Wednesday 26th November 2025
Time: 4.00 pm
Venue: Community Space, Keynsham - Market Walk, Keynsham

Councillors: David Biddleston, Sam Ross, Malcolm Treby, Toby Simon and George Tomlin

Independent Member: John Barker

Enfys Hughes
Democratic Services
Lewis House, Manvers Street, Bath, BA1 1JG
Telephone: 01225 394410
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

Paper copies are available for inspection at the Guildhall - Bath.

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

Audit Committee - Wednesday 26th November 2025

at 4.00 pm in the Community Space, Keynsham - Market Walk, Keynsham

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 7.

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 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 - 24TH SEPTEMBER 2025 (Pages 7 - 10)

8. COUNCIL COMPANY AEQUUS (ADL, ACL & AGHL) ANNUAL ACCOUNTS 2024/25 (Pages 11 - 86)

9. SECTION 106 - UPDATE REPORT ON AUDIT FINDINGS (Pages 87 - 92)

10. TREASURY MANAGEMENT PERFORMANCE REPORT TO 30TH SEPTEMBER 2025 (Pages 93 - 114)

11. INTERNAL AUDIT - UPDATE REPORT (PLANNED WORK 2025/26) (Pages 115 -

124)

12. AUDIT COMMITTEE - DRAFT WORKPLAN (Pages 125 - 130)

The Democratic Services Officer for this meeting is Enfys Hughes who can be contacted on 01225 394410.

BATH AND NORTH EAST SOMERSET COUNCIL

AUDIT COMMITTEE

Minutes of the Meeting held

Wednesday 24th September 2025, 5.30 pm

Councillors: David Biddleston (Chair), Sam Ross (Vice-Chair), Malcolm Treby, Toby Simon and George Tomlin
Independent Member:
Officers in attendance:
Guests in attendance: Beth Bowers (Grant Thornton (External Auditors)), David A Johnson (Grant Thornton (External Auditors)) and George Amos (Grant Thornton (External Auditors))

1 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer drew attention to the emergency evacuation procedure as set out on the agenda.

2 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

There were none.

3 DECLARATIONS OF INTEREST

There were none.

4 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

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

There were none.

6 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

7 MINUTES 30TH APRIL 2025

RESOLVED that the minutes of the meeting held on 30th April 2025 be confirmed as a correct record and signed by the Chair.

8 ANNUAL ACCOUNTS BRIEFING - PRESENTATION AT MEETING (NO REPORT)

The Group Accountant gave a powerpoint presentation on the annual accounts for members information.

In response to questions it was confirmed:

- That there was continued work on the DSG (dedicated schools grant), adult social care and home to school transport.
- There was an increase in council tax bad debt provision each year in line with the increase in income to be collected, including the c5% Council Tax charge increases and growth in the taxbase.
- There was a request to Corporate Scrutiny Panel to discuss the Local Council Tax Support Scheme, this panel had been involved before.
- There were a small number of properties in the commercial estate held outside the B&NES area. This was related to a previous strategic approach to diversify the portfolio.
- Government policy allowed an increase in council tax to address pressures on adult social care and this precept was used every year to meet rising costs.
- There was a 75% capital spend on projects with unspent budget carried forward into 2025/26.
- Children services spend increases were in line with other local authorities, although some experienced these pressures ahead of B&NES.
- In response to gilt markets and increased long-term borrowing rates, short-term borrowing was being used whilst the long-term rates were higher. This would continue to be reviewed.
- It was useful to see the movement in the financial statements year on year.
- It was a decision for individual schools what to spend the school balances on and the Schools Forum discussed this to check it was in line with DfE policy. Often money was spent on capital projects, which spread across years, or when there was forecast future pressure on budgets to be covered by reserves.
- In relation to the unearmarked general fund reserves, directors did annual risk assessments on revenue and capital and gave them a risk rating which informed the level required. The balance on the reserve had remained stable over the past few years and was mid-range.
- Grant Thornton stated that there was no specific ‘unacceptable’ minimum level of General Fund Un-earmarked reserves, as it depended on each individual Councils’ cash flow. CIPFA had benchmarking tools that could be used and B&NES were not in the lower portion compared to peers.

RESOLVED

1) to note the Annual Accounts briefing presentation; and
2) that officers arrange training for Members on the commercial estate.

9 AUDIT FINDINGS REPORT FOR THE COUNCIL & PENSION FUND & AUDITED STATEMENT OF ACCOUNTS 2024/25

Grant Thornton (External Auditors) presented the Audit Findings Report which summarised the results of Grant Thornton’s audit of the 2024/25 statement of accounts for the Council and Avon Pension Fund and included the Annual Governance Statement. In relation to the audit of the group, the meetings of the board of Aequus and the Council did not align and it was suggested this be rectified in the future.

In response to questions it was explained:

- That there were no objections to the 2024/25 statement of accounts but there remained one open objection to the 2023/24 accounts.
- A new financial system is due to be implemented during 2026/27 which added tighter controls to journals to address previous concerns. Members would like a briefing on the new financial system.
- External audit confirmed that their testing of journals included a range of values not just amounts over £500k.
- With regard to changes on the system there would be an audit trail to evidence this.
- In respect of duplicate accounts found on Agresso and whether IT staff had been migrated to have separate accounts. This information would be clarified and sent to members.

On a motion from Councillor Toby Simon, seconded by Councillor Malcolm Treby, it was

RESOLVED that

1) The issues contained within the Audit Findings Reports for the Council are noted;
2) the audited Statement of Accounts, including the Letters of Representation for both Bath & North East Somerset Council and the Avon Pension Fund for 2024/25, are approved;
3) authority is delegated to the Chair of the Audit Committee, in consultation with the Section 151 Officer, to approve any amendments to the Statement of Accounts, below the audit materiality threshold, arising from the concluding stages of Grant Thornton's audit; and
4) future meetings of the board of Aequus and the Council be aligned to support the external audit process.

10 EXTERNAL AUDIT - ANNUAL AUDIT REPORT

The External Auditor updated the Committee on the Annual Audit report which included the VFM assessment for the Council. The main significant risk issue was the DSG which was a national issue and it was hoped would be addressed by government. The report included improvement recommendations and key recommendations for management.

In response to questions it was confirmed that:

- It was appropriate to wait for the government's white paper on SEND reforms and the Chancellor's Autumn Budget before the Committee received an update on work on the DSG. Members were informed that the DSG deficit statutory override had been extended to 2027/28.

On a motion from Councillor Toby Simon, seconded by Councillor Sam Ross, it was

RESOLVED

1) to note the Annual Audit report;
2) that the Committee be updated on the DSG work and the director be invited to address the Committee if necessary; and
3) that the response to contract management and procurement risks be considered at the April/May meeting of Audit Committee if possible.

11 TREASURY MANAGEMENT OUTTURN 2024/25

The Group Accountant presented the report which gave details of performance against the Council's Treasury Management Strategy for 2024/25. The report was for information only.

There were no questions.

RESOLVED to agree

1) the Treasury Management Report to 31st March 2025, prepared in accordance with the CIPFA Treasury Code of Practice, is noted; and
2) the Treasury Management Indicators to 31st March 2025 are noted.

12 ANNUAL REPORT OF THE AUDIT COMMITTEE - MAY 2024 - APRIL 2025

The Audit Manager presented the report. The Audit Committee has specific delegated powers given to it from Full Council and as such is required to report back annually to Council under its Terms of Reference.

There were no questions and the Chair congratulated the Audit Manager on the report which was her first and was very clear.

RESOLVED to agree the Annual Report covering the period May 2024 – end of April 2025 (Appendix 1) and request that the Chair of the Committee present it to the November meeting of Council.

13 AUDIT COMMITTEE WORKPLAN

There was nothing to add to the Audit Committee workplan.

RESOLVED to note the workplan.

The meeting ended at 7.30 pm

Chair(person) ....

Date Confirmed and Signed ....

Prepared by Democratic Services

Bath & North East Somerset Council		
Audit Committee		
26th November 2025	**AGENDA ITEM NUMBER**	
Council Company Aequus (ADL, ACL & AGHL) Annual Accounts 2024/25		
ALL		
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 - ADL Signed Annual Accounts 2024/25 Appendix 2 - ACL Signed Annual Accounts 2024/25 Appendix 3 – AGHL Signed Annual Accounts 2024/25		

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 2024/25.

2 RECOMMENDATIONS

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 2024/25 (see appendix 1)

3.1 Aequus Developments Limited (ADL), a property asset investment and rental company, providing a range of rental homes directly and in partnership with Bath & North East Somerset Council.

3.2 In the 2024/25 fiscal year, the total turnover was £1.65m. This includes service income of £987k primarily from ADL staff providing management and project management services to ACL, together with rental income of £663k, resulting in a profit before taxation of £154k.

3.3 ADL assets value increased by £2m including £3.4m from the purchase of 14 properties for the Local Authority Housing Fund scheme and, the gain on the investment property revaluation of £162k. This was offset by (£1.56m) from the disposal of six of our apartments at Riverside View to reduce the gearing on the remaining 5 Riverside View apartments to ensure they remain viable.

3.4 There were no new properties transferred from the Council to ADL during the financial year. As at the end of the financial year the ADL property portfolio holds 50 properties and provides 71 tenancies.

3.5 The B&NES Council Revenue return from ADL for the year of £369k, includes £319k from commercial interest payments on asset backed loans and a £50k contribution to the dividend paid via AGLH following Board and Shareholder approval on 23rd Oct 25.

3.6 Further details of the company performance for the year are covered in the Directors Report on pages 4 to 6 of the ADL accounts (see appendix 1).

ACL Statutory Accounts 2024/25 (see appendix 2)

3.7 Aequus Construction Limited (ACL), a local authority housing development and construction company, dedicated to providing homes for the community in partnership with, Bath & North East Somerset Council as well as working with our partner councils South Gloucestershire Council & North Somerset Council.

3.8 We successfully completed our fourth development at Malmains Drive, Frenchay, delivering 30 low-energy family homes, including 11 affordable units. Additionally, we constructed nine well-appointed apartments at Argyle Works on behalf of B&NES Council, designated for affordable housing completed during the summer 2025.

3.9 In the financial year 2024/25, ACL achieved a total turnover of £11.8m. This includes £8.2m from the handover of four remaining affordable units to Alliance Homes and fourteen privately sold units at Malmains Drive, Frenchay, South Glos as well as £3.6m of Development Management Services to our council Partners.

3.10 B&NES Council Revenue returns from ACL for the year of £631k will be paid to the Council as dividends via AGHL following Board and Shareholder approval was given at the AGM on 23rd Oct 25. A dividend payment for financial years 2023/24 of £771k was paid during this financial year.

3.11 Further details of the company performance for the year are covered in the Directors Report on pages 4 to 6 of the ACL accounts (see appendix 2).

AGHL Statutory Accounts 2024/25 (see appendix 3)

3.12 As AGHL is purely an investment holding company AGHL Profit before taxation for the year is net nil. AGHL has incurred minimal operational costs that are paid via ACL to ensure that AGHL remains a thin company with no operational activity. Dividends received from ADL and ACL during the financial year will be transferred by way of a dividend payable to B&NES as Shareholder.

3.13 The AGHL interim dividend of £681k based on the financial outturn for 2024/25 will be paid to B&NES Council following Board and Shareholder approval on the 23rd Oct 25 to meet the total revenue returns target of £1m per year. Dividend payment for financial years 2023/24 of £771k was paid to the Shareholder during this financial year.

3.14 Total returns to date for the Council now exceeds £6m and Aequus is one of only a few LAHC's to consistently deliver financial returns to their parent Council shareholder.

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 EPC A energy efficiency 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	*Jeff Wring (01225477323); Karen Flint Financial Controller 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 2025

Company registration number: 10060817

Aequus Developments Limited

Financial Statements

Year Ended 31 March 2025

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Aequus Developments Limited

Company Information

Year Ended 31 March 2025

Company registration number	10060817
Directors	D P E Quilter (Resigned 30 September 2024) T Richens C D Gerrish (Resigned 6 May 2024) M Hyde L J Kew (Resigned 6 May 2024) R H Marshall (Resigned 7 December 2024) E Pickering A W Wright V O’Brien S Higham (Appointed 7 May 2024) A Johnston (Appointed 19 August 2024) T Rollings (Appointed 6 January 2025)
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 2025

The directors present their report with the financial statements of the company for the year ended 31 March 2025.

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 Holdings Limited (AGHL), providing a range of rental homes directly and in partnership with Bath & North East Somerset Council (B&NES Council the sole Shareholder of the Aequus Group).

Under our approved five-year Strategic Business Plan (2024/25 to 2029/30), ADL remains committed to supporting our shareholder increase the supply of local housing. As a fair and responsible Landlord we provide quality homes that are maintained to a good standard to our tenants.

Throughout this year, our rental income levels have remained healthy, and we regularly review and adjust rents in a fair and proportionate way. ADL disposed of six apartments, at Riverside View, Keynsham to pay down debt and reduce the gearing on the remaining portfolio to improve viability. No new properties were transferred from B&NES Council for private rental this financial year. Independent external valuations have been conducted to reflect the current market values of the property portfolio.

ADL has continued to support B&NES Council with the LAHF scheme by purchasing 14 properties from the market to provide affordable rental properties for approved refugees. The LAHF property value is capitalised at the purchase price and amortised over 100 years.

As at the 31st March ADL rental portfolio consists of 50 properties that provides 71 homes. Void levels (unoccupied properties) were low at 2.96% during the year, and we expect them to remain within the target of 5% of the portfolio for the foreseeable future.

ADL is also the group company holding all staff employment contracts, including those staff with transferred from the Council under TUPE in 2022.

Financial performance
In the financial year 2024/25, ADL achieved a total turnover of £1,649,270. This includes service income of £986,853 primarily from ADL staff providing management and project management services to ACL, together with rental income of £662,417, resulting in a profit before taxation of £153,721.

Returns to the Shareholder include commercial interest of £319,451 to B&NES Council for asset backed loans pertaining to previously transferred properties and a proposed dividend contribution of £50,000 to be paid via Aequus Group Holdings Limited

Going forward we will continue to work with B&NES Council to explore the potential of repurposing void and surplus properties within its estate for future residential use either in the private market or supporting B&NES Council with delivery of its affordable housing objectives.

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 year end
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 2025

Directors of the company
The directors shown below have held office during the whole of the period from 1 April 2024 to the date of this report.

D P E Quilter (Resigned 30 September 2024)
T Richens
C D Gerrish (Resigned 6 May 2024)
M Hyde
L J Kew (Resigned 6 May 2024)
R H Marshall (Resigned 7 December 2024)
E Pickering
A W Wright
V O'Brien
S Higham (Appointed 7 May 2024)
A Johnston (Appointed 19 August 2024)
T Rollings (Appointed 6 January 2025)

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 18 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 2025

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
Tim Richens

T Richens, Director

Date: 23 October 2025

Aequus Developments Limited

Independent Auditor's Report

Year Ended 31 March 2025

We have audited the financial statements of Aequus Developments Limited (the 'company') for the year ended 31 March 2025 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 2025, 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.

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 Annual report, other than the financial statements and our auditor's 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.

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 Developments Limited

Independent Auditor’s Report

Year Ended 31 March 2025

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.

N Coughlin
Nathan Coughlin

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

Date 27 October 2025

Aequus Developments Limited

Statement of Profit or Loss and Other Comprehensive Income

Year Ended 31 March 2025

	Note	**2025** **£**	2024 £
Revenue	4	1,649,270	1,563,794
Cost of sales		(172,736)	(168,257)
Gross profit		1,476,534	1,395,537
Other operating income		-	-
Administrative expenses		(1,168,511)	(1,100,281)
Gain/ (loss) on revaluation of investment property	10	162,046	(285,295)
Profit from operations		470,069	9,961
Finance income		103	3,032
Finance expense	8	(316,451)	(231,004)
Profit before taxation		153,721	(218,011)
Taxation	9	(56,418)	54,145
Profit/(Loss) for the year		97,303	(163,866)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Re-measurement gain/(loss) on defined benefit pension plan	16	263,000	181,000
Part of actuarial gain not recognised		(267,000)	(109,000)
Tax relating to items that will not be reclassified	9	1,000	(18,000)
Other comprehensive income for the year		**(3,000)**	54,000
Total comprehensive income for the year		**94,303**	(109,866)

Aequus Developments Limited

Statement of Financial Position

Year Ended 31 March 2025

	Note	2025 £	2024 £
Non-current assets			
Long term leasehold property	10	**6,149,998**	7,500,521
Property, plant and equipment	11	**6,120,157**	2,761,321
		12,270,155	10,261,842
Current assets			
Trade and other receivables	12	**90,684**	150,791
Cash and cash equivalents		**465,809**	361,998
		556,493	512,789
Current liabilities			
Trade and other payables	13	**(555,813)**	(380,635)
Borrowings	15	**(31,935)**	(33,510)
Current tax liabilities	9	**(73,225)**	(27,726)
Net current assets/(liabilities)		**(104,480)**	70,918
Total assets less current liabilities		**12,165,675**	10,332,760
Non-current liabilities			
Trade and other payables	14	**(3,359,414)**	(1,542,578)
Borrowings	15	**(6,900,905)**	(6,965,134)
Deferred tax	9	**(303,306)**	(317,299)
Retirement benefit obligation	16	**-**	-
Total non-current liabilities		**(10,563,625)**	(8,825,011)
Net assets		**1,602,050**	1,507,749
Equity			
Share capital		**100**	100
Revaluation reserve		**-**	-
Pension reserve		**207,690**	210,690
Retained earnings		**1,394,260**	1,296,959
		1,602,050	1,507,749

The financial statements were approved and authorised for issue by the Board on 23 October 2025

Signed on behalf of the board of directors

T Richens

Tim Richens

Aequus Developments Limited

Statement of Changes in Equity

Year Ended 31 March 2025

	Share capital	Revaluation reserve	Retained earnings	Pension reserve	Total equity
	£	£	£	£	£
Balance at 1 April 2023	100	64,736	1,396,089	156,690	1,617,614
Profit/(loss) for the year	-	-	(163,866)	-	(163,866)
Revaluation of tangible fixed assets	-	(64,736)	64,736	-	-
Re-measurement on defined benefit pension plan	-	-	-	163,000	163,000
Part of actuarial gain not recognised	-	-	-	(109,000)	(109,000)
Balance at 31 March 2024	100	-	1,296,959	210,690	1,507,749
Profit/(loss) for the year	-	-	97,303	-	97,303
Revaluation of tangible fixed assets	-	-	-	-	-
Re-measurement on defined benefit pension plan	-	-	-	263,000	263,000
Part of actuarial gain not recognised	-	-	-	(266,000)	(266,000)
Balance at 31 March 2025	**100**	**-**	**1,394,262**	**207,690**	**1,602,052**

Aequus Developments Limited

Statement of Cash Flows

Year Ended 31 March 2025

	Note	2025 £	2024 £
Cash generated from operations	21	**585,620**	411,106
Interest charge		**-**	-
Tax paid		**(24,912)**	(85,529)
Net cash flow from operating activities		**560,708**	325,577
Cash flow from investing activities			
Purchase of tangible assets		**(3,420,744)**	(2,770,008)
Purchase of investment property		**-**	-
Sale of investment property		**1,513,000**	260,201
Interest received		**103**	3,032
Capital grants received		**1,832,998**	1,562,962
Net cash flow from investing activities		**(74,643)**	(943,813)
Cash flow from financing activities			
Receipts from issue of new long-term loans		**1,434,108**	1,290,262
Repayment of long term loans		**(1,499,911)**	(264,109)
Interest paid		**(316,451)**	(231,004)
Net cash flow from financing activities		**(382,254)**	795,149
Net increase in cash and cash equivalents		**103,811**	176,913
Cash and cash equivalents at 1 April	20	**361,998**	185,085
Cash and cash equivalents at 31 March		**465,809**	361,998

Cash and cash equivalents consists of:

Cash at bank and in hand	20	**465,809**	361,998
Cash and cash equivalents at 31 March		**465,809**	361,998

Aequus Developments Limited

Notes to the Financial Statements

Year Ended 31 March 2025

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.

2.3 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

2.4 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.

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.

2.5 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.

2.6 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.

Freehold property – 1% on straight line basis

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 grants are recognised when there is reasonable assurance that the company will comply with any conditions attached to the grant and the grant will be received.

Grants for capital assets are held in deferred income and released as income over the life of the asset.

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.

2.11 Taxation (continued)

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.

2.12 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 2024/25 to 2026/27 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

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

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 16 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	**2025 £**	2024 £
Rental income	**662,417**	558,588
Service and management	**986,853**	1,005,206
	1,649,270	1,563,794

Assets and liabilities related to contracts with customers

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

	2025 £	2024 £
Deferred revenue – rental income	**19,281**	21,503
Total current contract liabilities	**19,281**	21,503

5 Auditor's remuneration

	2025 £	2024 £
Fees payable to the company's auditor for the audit of the company's annual accounts	**16,250**	16,250
Fees payable to the company's auditor for other services:		
Other services	**2,250**	2,250
	18,500	18,500

6 Directors' remuneration

	2025 £	2024 £
Remuneration	**324,400**	308,513
	324,400	308,513

The remuneration of the highest paid director included above was:	2025 £	2024 £
Emoluments	**160,951**	158,873
	160,951	158,873

During the year two directors (2024: 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:

	2025 Number	2024 Number
Directors	**8**	9
Administration	**10**	10
	18	19

The aggregate payroll costs of these persons were as follows:

	2025 £	2024 £
Wages and salaries	**860,825**	822,213
Social security	**100,465**	96,136
Other pension costs	**71,164**	74,536
	1,032,455	992,885

8 Finance expense

	2025 £	2024 £
Interest on loans	**319,451**	229,004
Interest on pension schemes	**(3,000)**	2,000
Total interest expense	**316,451**	231,004

9 Income taxes

9.1 Income tax recognised in profit or loss

	2025 £	2024 £
Tax expense comprises:		
Current tax expense in respect of the current year	**73,226**	27,726
Adjustment in respect of prior periods	**(3,815)**	
	69,411	27,726
Deferred tax		
Origination and reversal of timing differences	**(3,777)**	(81,871)
Adjustment in respect of prior periods	**(9,216)**	-
Total deferred tax	**(12,993)**	(81,871)
Total tax expense in statement of profit or loss	**(56,418)**	(54,145)

	2025 £	2024 £
Profit before tax	**153,721**	(218,011)
Tax on profit at 25% (2024: 25%)	**(38,430)**	(54,503)
Effects of:		
Fixed asset differences	**15,219**	347
Expenses not deductible for tax purposes	**5,517**	72,299
Income not taxable for tax purposes	**(46,930)**	(1,189)
Adjustments to brought forward values	**(250)**	18,000
Chargeable gains/(losses)	**57,213**	(71,099)
Deferred tax (charged)/credited directly to OCI	**250**	(18,000)
Adjustments to tax charge in respect of previous periods	**(3,815)**	-
Adjustments to tax charge in respect of previous periods – deferred tax	**(9,216)**	-
Income tax expense recognised in profit or loss	**56,418**	(54,145)

The tax rate used for the 2025 and 2024 reconciliations above is the corporate tax rate of 2025: 25% and 2024: 25% payable by corporate entities on taxable profits under tax law in that jurisdiction.

9.2 Deferred tax balances

	2025 £	2024 £
Balance at 1 April	**317,299**	381,170
Deferred tax credited to profit and loss account for the period	**(12,993)**	(81,871)
Charged / (credited) to other comprehensive income	**(1,000)**	18,000
Balance at 31 March	**303,306**	317,299

10 Long term leasehold property

At fair value	2025 £	2024 £
Balance at 1 April 2024	**7,500,521**	8,046,017
Additions through subsequent expenditure	**-**	-
Disposals	**(1,513,000)**	(260,201)
Net gain / (loss) from fair value adjustments	**162,046**	(285,295)
Balance at 31 March 2025	**6,149,567**	7,500,521

The fair value of properties is reviewed annually by an independent qualified valuer, with the last being in 2025.

11 Property, plant and equipment

	Freehold Property £	Total £
Cost		
At 1 April 2024	2,770,008	**2,770,008**
Additions	3,420,744	**3,420,744**
Impairments	-	**-**
At 31 March 2025	**6,190,752**	**6,190,752**
Depreciation		
At 1 April 2024	(8,687)	**(8,687)**
Charge for the year	(61,908)	**(61,908)**
At 31 March 2025	**(70,595)**	**(70,595)**
Net Book Value		
At 31 March 2025	**6,120,157**	**6,120,157**
At 31 March 2024	2,761,321	2,761,321

12 Trade and other receivables

	2025 £	2024 £
Amounts due from related party transactions	**85,167**	129,288
Prepayments	**5,122**	-
Other debtors	**395**	21,503
	90,684	150,791

Aequus Developments Limited

Notes to the Financial Statements

Year Ended 31 March 2025

13 Trade and other payables: Under one year

	2025	2024
	£	£
Trade payables	**6,421**	17,065
Amounts owed to group undertakings	**202,648**	36,515
Social security and other taxes	**36,572**	35,627
Accruals and deferred income	**272,179**	256,016
VAT	**37,993**	35,412
	555,813	380,635

14 Trade and other payables: Over one year

	2025	2024
	£	£
Accruals and deferred income	**3,359,414**	1,542,578
	3,359,414	1,542,578

15 Borrowings

	Current		**Non-current**	
	2025	2024	**2025**	2024
	£	£	**£**	£
Bank loans	**-**	-	**-**	-
Intercompany loans	**31,935**	33,510	**6,900,905**	6,965,134
	31,935	33,510	**6,900,905**	6,965,134

Terms and debt repayments schedule

	1 year or less	1-2 years	2-5 year	More than 5 years	Total
	£	£	£	£	£
Intercompany loans	31,935	34,496	116,180	6,750,230	6,932,840
	31,935	**34,496**	**116,180**	**6,750,230**	**6,932,840**

16 Retirement benefit plans

To assess the value of the Employer's liabilities as at 31 March 2025, 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 2025 without completing a full valuation. However, the actuaries are satisfied that the approach of rolling forward the previous valuation data to 31 March 2025 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 2025 are £51,000.

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:

	2025 %	2024 %
Discount rate	5.9	4.9
Future salary increases	4.1	4.1
Future pension increases	2.7	2.7
CPI inflation	2.6	2.6

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

	2025	2024
Future pensioners age 65 in 20 years' time (male)	23.2	23.3
Future pensioners age 65 in 20 years' time (female)	26.1	25.8
Current pensioner aged 65 (male)	22.0	22.0
Current pensioner aged 65 (female)	24.1	24.1

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

Change in assumption at 31 March 2025	Approximate monetary amount (£)
0.5% increase in discount rate	168,000
0.25% increase in inflation	(89,000)
0.25% increase in salary growth	(31,000)
1 year increase in life expectancy	(39,000)

16 Retirement benefit plans (continued)

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

	2025	2024
	£	£
Current service cost	**51,000**	62,000
Administration expenses	**2,000**	2,000
Interest on obligation	**(8,000)**	2,000
Interest on asset ceiling	**5,000**	-
Components of defined benefit costs recognised in profit or loss	**50,000**	66,000

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

	2025	2024
	£	£
Actuarial (gains)/losses	**(263,000)**	(181,000)
Actuarial gain not recognised	**267,000**	109,000
Income tax	**(1,000)**	18,000
Total	**3,000**	(54,000)

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:

	2025	2024
	£	£
Present value of funded defined benefit obligation	**2,246,000**	2,492,000
Fair value of plan assets	**(2,627,000)**	(2,601,000)
Net pensions (asset) / liability	**(381,000)**	(109,000)
Less notional surplus not recognised	**381,000**	109,000
Net pension (asset) / liability as recognised in these financial statements	**-**	-

16 Retirement benefit plans (continued)

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

	2025	2024
	£	£
Opening defined benefit obligation	**2,492,000**	2,399,000
Current service cost	**51,000**	62,000
Interest cost	**121,000**	116,000
Contributions from plan participants	**31,000**	36,000
Actuarial losses/ (gains) arising from:		
- Changes in demographic assumptions	**(2,000)**	(32,000)
- Changes in financial assumptions	**(406,000)**	(85,000)
- Experience adjustments	**0**	9,000
Benefits/transfers paid	**(41,000)**	(13,000)
	2,246,000	2,492,000

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

	2025	2024
	£	£
Opening fair value of plan assets	**2,601,000**	2,331,000
Interest on plan assets	**129,000**	114,000
Remeasurements (assets)	**(145,000)**	73,000
Administration expenses	**(2,000)**	(2,000)
Contributions from the employer	**54,000**	62,000
Contributions from plan participants	**31,000**	36,000
Benefits/transfers paid	**(41,000)**	(13,000)
Closing fair value of plan assets	**2,627,000**	2,601,000

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

	2025	2024
	£	£
Equities	**1,072,000**	1,301,000
Bonds	**759,000**	832,000
Property	**134,000**	135,000
Alternatives	**729,000**	730,000
Cash Accounts	**(166,000)**	(397,000)
Closing fair value of plan assets	**2,627,000**	2,601,000

17 Issued capital

	2025	2024
	£	£
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.

18 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:

	2025	2024
	£	£
Financial assets		
Financial assets measured at amortised cost	**90,684**	**150,791**
Cash and cash equivalents	**465,809**	**361,998**
	556,493	**512,789**

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

	2025	2024
	£	£
Financial liabilities		
Financial liabilities measured at amortised cost	**(245,641)**	(89,207)
Loans	**(6,932,840)**	(6,998,644)
	(7,178,481)	(6,909,437)

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.

18 Financial instruments (continued)

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 2025 the company's borrowings were in the region of £6.9m (2024: £6.9m) and it is therefore estimated that a general change of one percentage point in the interest rate would affect profit before tax by approximately £69,000 (2024: £69,000).

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

	2025	**2026**	**2027 to 2029**	**2030 and thereafter**
	£	**£**	**£**	**£**
Trade payables	7,108			
Other financial liabilities	31,935	34,496	116,180	6,750,230

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 2025.

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.

19 Related party transactions

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

	2025 £	2024 £
Purchase of investment property	**-**	-
Other goods and services	**(246,876)**	**(86,150)**
Interest expense	**(350,801)**	**(229,004)**
Rental income for LAHF properties	**52,346**	**22,907**
Sales – Recharges	**11,964**	**78,705**
Property Disposal	**-**	**-**
Insurance claim	**3,583**	**932**

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

	2025 £	2024 £
Loans payables to parent undertaking		
Due in less than one year	**(58,296)**	(33,510)
Due in more than one year	**(6,874,544)**	(6,965,134)
	(6,932,840)	(6,998,644)
Trade receivables	**6,558**	12,812
Trade payables	**184,975**	19,340

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:

	2025 £	2024 £
Sales – Recharges	**972,235**	931,536
Purchases – Recharged	**(16,584)**	(14,579)

Year end balances arising from Aequus Construction Limited amount to:

	2025 £	2024 £
Trade receivables	**78,609**	**116,476**
Trade payables	**(17,431)**	**(17,175)**

19 Related party transactions (continued)

Remuneration of key management personnel

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

20 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:

	2025	2024
	£	£
Cash and bank balances	**465,809**	361,998
	465,809	361,998

21 Reconciliation of profit to cash flow from operating activities

	2025	2024
	£	£
Profit / (loss) before taxation	**153,721**	(218,011)
Gain / (loss) on revaluation of fixed assets	**(162,046)**	285,295
Loss on disposal	**(431)**	-
Re-measurement gain on pension liability	**(3,000)**	-
Finance expense	**316,451**	231,004
Finance income	**(103)**	(3,032)
Depreciation	**61,908**	8,687
Operating profit / (loss)	**366,500**	303,943
Decrease / (Increase) in trade and other receivables	**60,107**	(22,860)
(Decrease) / Increase in trade and other payables	**159,013**	130,023
Cash flow from operating activities	**585,620**	411,106

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

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Company registration number: 10832066

Aequus Construction Limited
Annual Report and Financial Statements
Year Ended 31 March 2025

Company registration number: 10832066

Aequus Construction Limited

Financial Statements

Year Ended 31 March 2025

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Aequus Construction Limited

Company Information

Year Ended 31 March 2025

Company registration number	10832066
Directors	D P E Quilter (Resigned 30 September 2024) T Richens C D Gerrish (Resigned 6 May 2024) M Hyde L J Kew (Resigned 6 May 2024) R H Marshall (Resigned 7 December 2024) E Pickering A W Wright V O'Brien S Higham (Appointed 7 May 2024) A Johnston (Appointed 19 August 2024) T Rollings (Appointed 6 January 2025)
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 2025

The directors present their report with the financial statements of the company for the year ended 31 March 2025.

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 local authority 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 (the sole Shareholder of the Aequus Group). We also work with our partner councils South Gloucestershire Council & North Somerset Council.

Under our approved five-year Strategic Business Plan (2024/25 to 2029/30), ACL remains committed to increasing the supply of local housing across affordable, social, and homeowner markets. We aim to operate in a commercially viable, innovative, and creative manner—adhering to best practices in property development and delivering high-quality, energy-efficient homes that support the climate and ecological goals of our local authority partners

Throughout the year, ACL has continued to build a sustainable business that delivers tangible value to our shareholder. Notably, we successfully completed our fourth development at Malmains Drive, Frenchay, delivering 30 low-energy family homes, including 11 affordable units. Additionally, we constructed nine well-appointed apartments at Argyle Works on behalf of B&NES Council, designated for affordable housing and scheduled for completion in May 2025.

The house building market has been relatively strong over the last 12 months, fuelled by the underlying demand for new housing due to population growth and other factors including impending changes to stamp duty. The construction industry is subject to fluctuations based on various economic conditions and government policies. Contract price inflation has slowed compared to the previous couple of years however, interest rates continue to remain high, and this is likely to continue to impact on ACL's rate of borrowing to fund future developments.

Financial Performance

In the financial year 2024/25, ACL achieved a total turnover of £11,804,264. This includes the handover of the four remaining affordable units' and fourteen privately sold units at Malmains Drive, Frenchay. These generated a turnover of some £8,184,883 with a further £3,619,381 being generated by our Development Management Services, resulting in a gross profit of £1,864,588 and a net profit after overheads and before taxation of £1,242,188.

B&NES Council revenue financial returns include proposed dividends of £631,000 to be paid to B&NES via Aequus Group Holdings Limited. A dividend of £771,000 relating to 2023/24 was paid to B&NES during this financial year.

Commercial interest payments of £294,528 for development loans was paid in the financial year and an overage provision of £674,000 relating to an agreed profit share, was made at the year-end and will be paid during 2025/26.

Looking ahead B&NES Council's target revenue returns of £1 million from ADL and ACL for 2025/26 will be met through anticipated interest returns and expected dividend payments.

We are proud of our strong financial performance and continued progress toward building a long-term, sustainable business. Our collaboration with the Shareholder and partner councils has helped shape a robust housing pipeline. With our Strategic Business Plan (2024/25 to 2029/30) in place, we are well-positioned to seize new opportunities for growth, support the delivery of shareholder priorities, and provide the right homes in the right places—while generating financial returns that help protect and enhance frontline services.

Aequus Construction Limited

Directors' Report

Year Ended 31 March 2025

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.

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 2024 to the date of this report.

- D P E Quilter (Resigned 30 September 2024)
- T Richens
- C D Gerrish (Resigned 6 May 2024)
- M Hyde
- L J Kew (Resigned 6 May 2024)
- R H Marshall (Resigned 7 December 2024)
- E Pickering
- A W Wright
- V O'Brien
- S Higham (Appointed 7 May 2024)
- A Johnston (Appointed 19 August 2024)
- T Rollings (Appointed 6 January 2025)

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.

Aequus Construction Limited

Directors' Report

Year Ended 31 March 2025

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
Tim Richens

T Richens, Director

Date: 23 October 2025

Aequus Construction Limited

Independent Auditor's Report

Year Ended 31 March 2025

We have audited the financial statements of Aequus Construction Limited (the 'company') for the Year Ended 31 March 2025 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 2025, 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.

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 Annual report, other than the financial statements and our auditor's 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.

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.

N Coughlin
Nathan Coughlin

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

Date 27 October 2025

Aequus Construction Limited

Statement of Profit or Loss and Other Comprehensive Income

Year Ended 31 March 2025

	Note	2025 £	2024 £
Revenue	4	11,804,264	4,383,919
Cost of sales		(9,939,676)	(3,975,873)
Gross profit		1,864,588	408,046
Other operating income		-	-
Administrative expenses		(688,484)	(486,827)
Profit from operations		1,176,104	(78,781)
Finance income		66,084	87,742
Finance expense		-	-
Profit before taxation		1,242,188	8,961
Taxation	7	(310,112)	1,066
Profit for the year		932,076	10,027
Other comprehensive income for the year		**-**	**-**
Total comprehensive income for the year		932,076	10,027

Aequus Construction Limited

Statement of Financial Position

Year Ended 31 March 2025

	Note	2025 £	2024 £
Non-current assets			
Owned: Property, plant and equipment	8	23,329	29,354
Right of use: Property, plant and equipment	12	-	-
		23,329	29,354
Current assets			
Inventories	9	1,718,195	4,755,037
Trade and other receivables	10	989,179	519,770
Cash and cash equivalents	17	2,506,757	2,370,584
		5,214,132	7,645,391
Current liabilities			
Trade and other payables	11	(1,588,493)	(1,634,004)
Borrowings	13	(1,227,884)	(4,084,749)
Current tax liabilities		(307,760)	(2,239)
Net current assets		2,089,994	1,924,399
Total assets less current liabilities		2,113,323	1,953,753
Non-current liabilities			
Deferred tax	7	(5,832)	(7,339)
Total non-current liabilities		(5,832)	(7,339)
Net assets		2,107,491	1,946,414
Equity			
Share capital	14	100	100
Retained earnings		2,107,391	1,946,314
		2,107,491	1,946,414

The financial statements were approved and authorised for issue by the Board on 23 October 2025

Signed on behalf of the Board of Directors

T Richens

Tim Richens

T Richens, Director

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

Aequus Construction Limited

Statement of Changes in Equity

Year Ended 31 March 2025

	Share capital	Retained earnings	Total equity
	£	£	£
Balance at 1 April 2023	100	2,784,287	2,784,387
Dividends	-	(848,000)	(848,000)
Profit for the year	-	10,027	10,027
Balance at 31 March 2024	100	1,946,314	1,946,414
Dividends	-	(771,000)	(771,000)
Profit for the year	-	932,077	932,077
Balance at 31 March 2025	**100**	**2,107,391**	**2,107,491**

Aequus Construction Limited

Statement of Cash Flows

Year Ended 31 March 2025

	Note	2025 £	2024 £
Cash generated from operations	18	3,706,021	(2,526,370)
Tax paid		(4,750)	(46,920)
Net cash flow from operating activities		**3,701,271**	**(2,573,290)**
Cash flow from investing activities			
Purchase of tangible fixed assets		(1,970)	-
Interest received		64,736	87,742
Sale of tangible assets			
Net cash flow from investing activities		**62,766**	**87,742**
Cash flow from financing activities			
New loans in the year		700,000	2,450,000
Repayment of long term loans		(3,556,865)	-
Dividends paid		(771,000)	(848,000)
Net cash flow from financing activities		**(3,627,865)**	**1,602,000**
Net (decrease) / increase in cash and cash equivalents		136,173	(883,548)
Cash and cash equivalents at 1 April	17	2,370,584	3,254,132
Cash and cash equivalents at 31 March	17	**2,506,757**	**2,370,584**
Cash and cash equivalents consists of:			
Cash at bank and in hand	17	2,506,757	2,370,548
Cash and cash equivalents at 31 March	17	**2,506,757**	**2,370,584**

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 2024/25 to 2026/27 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	2025 £	2024 £
Property Sales	**8,184,883**	1,928,443
Service and Management	**3,619,381**	2,455,476
	11,804,264	4,383,919

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

	2025 £	2024 £
Fees payable to the company's auditor for the audit of the company's annual accounts	**16,515**	16,515
Fees payable to the company's auditor for other services:		
Other services	**1,985**	1,985
	18,500	18,500

6 Employees and Directors

There were no staff costs for the year ended 31 March 2025 nor for the year ended 31 March 2024.

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

	2025 £	2024 £
Directors	**8**	9
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.

Aequus Construction Limited

Notes to the Financial Statements

Year Ended 31 March 2025

7 Income taxes

7.1 Income tax recognised in profit or loss

	2025 £	2024 £
Tax expense comprises:		
Current tax expense in respect of the current year	**309,108**	2,239
Adjustment in respect of prior periods	**2,511**	(1,471)
	311,619	768
Deferred tax		
Deferred tax	**(1,507)**	(1,834)
Total deferred tax	**(1,507)**	(1,834)
Total tax expense in statement of profit or loss	**310,112**	(1,066)

	2025 £	2024 £
Profit on ordinary activities before tax	**1,242,188**	8,961
Tax on profit on ordinary activities at 25% (25%)	**310,547**	2,240
Effects of:		
Disallowed expenses	**143**	-
Capital allowances in excess of depreciation	**-**	-
Additional deductions for land remedial expenditure	**(3,089)**	(1,373)
Marginal Relief	**-**	(462)
Remeasurement of deferred tax for changes in tax rates	**-**	-
Adjustment in respect of prior periods	**2,511**	(1,471)
Income tax expense recognised in profit or loss	**310,112**	(1,066)

The tax rate used for the 2025 and 2024 reconciliations above is the corporate tax rate of 25% (FY24: 25%) payable by corporate entities on taxable profits under tax law in that jurisdiction.

7.2 Deferred tax balances

	2025 £	2024 £
Balance at 1 April	**7,339**	9,173
Deferred tax debited / (credited) to profit and loss account for the period	**(1,507)**	(1,834)
Balance at 31 March	**5,832**	7,339

8 Property, plant and equipment

	Short Leasehold	Motor Vehicles	Computer equipment	Totals
	£	£	£	£
Cost				
At 1 April	7,562	36,693	38,769	**83,024**
Additions	-	-	1,969	**1,969**
Impairments	-	-	-	**-**
At 31 March	**7,562**	**36,693**	**40,738**	**84,993**
Depreciation				
At 1 April	7,562	7,339	38,769	**53,670**
Charge for the year	-	7,339	656	**7,995**
At 31 March	**7,562**	**14,678**	**39,425**	**61,665**
Net Book Value				
At 31 March 2025	**-**	**22,016**	**1,313**	**23,329**
At 31 March 2024	-	29,354	-	29,354

9 Inventories

	2025	2024
	£	£
Work in progress	**1,718,195**	4,755,037
	1,718,195	4,755,037

10 Trade and other receivables

	2025	2024
	£	£
Trade receivables	**1,333**	99,021
Amounts due from related party transactions	**18,437**	52,550
Prepayments and accrued income	**923,988**	346,406
Other debtors	**29,826**	10,989
VAT Recoverable	**15,594**	10,804
	989,179	519,770

11 Trade and other payables

	2025 £	2024 £
Trade payables	**16,702**	494,804
Amounts owed to group undertakings	**78,609**	180,924
Social security and other taxes	**-**	-
Other creditors	**4,000**	-
Accruals and deferred income	**1,489,182**	958,276
	1,588,493	1,634,004

12 Leases

Right of use assets

Property, plant and equipment

	2025 £	2024 £
Cost		
At 1 April	**20,418**	20,418
Additions	**-**	-
Impairments	**-**	-
	20,418	20,418
Depreciation		
At 1 April	**20,418**	**20,418**
Charge for the year	**-**	**-**
Charge written back	**-**	**-**
At 31 March	**20,418**	**20,418**
Net Book Value	**-**	**-**

13 Borrowings

	Current		Non-current	
	2025	2024	**2025**	2024
	£	£	**£**	£
Other loans	**1,227,884**	4,084,749	**-**	-
Intercompany loans	**-**	-	**-**	-
	1,227,884	4,084,749	**-**	-

Terms and debt repayments schedule

	1 year or less	1-2 years	2-5 year	More than 5 years	Total
	£	£	£	£	£
Other loans	1,227,884	-	-	-	1,227,884
Intercompany loans	-	-	-	-	-
	1,227,884	-	-	**-**	**1,227,884**

14 Issued capital

	2025	2024
	£	£
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.

15 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:

	2025	2024
	£	£
Financial assets		
Financial assets measured at amortised cost	**49,596**	162,560
Cash and cash equivalents	**2,506,757**	2,370,584
	2,556,353	2,533,144
Financial liabilities		
Financial liabilities measured at amortised cost	**(99,311)**	(675,728)
Loans and hire purchase	**(1,227,884)**	(4,084,749)
	(1,327,195)	(4,760,477)

There are no financial assets and liabilities measured at fair value. All financial assets and liabilities are measured at amortised cost. For all financial assets and financial liabilities, the carrying value is equivalent to the fair value.

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 other loan amount at a rate of 4% above the base rate (the EC reference rate) and is payable at 6 monthly intervals. The amounts borrowed are secured by fixed and floating charges over the property held for development, included within inventory.

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.

15 Financial instruments (continued)

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 2025 the company's borrowings were in the region of £1.2m (2024: £4.1m) and it is therefore estimated that a general change of one percentage point in the interest rate would affect profit before tax by approximately £12,000 (2024: £41,000).

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 2025.

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.

16 Related party transactions

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

	2025	2024
	£	£
Other goods and services	**(8,230)**	(83,368)
Interest recharge	**-**	-
Loan arrangement fees	**-**	-
Services Income	**3,923,082**	2,455,476
Property sales	**-**	-

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

	2025	2024
	£	£
Trade receivables	**1,006**	356,771
Trade payables	**-**	(64,448)

Transactions with Aequus Group Holdings Limited (immediate parent)

	2025	2024
	£	£
Dividend paid to AGHL	**771,000**	848,000

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

	2025	2024
	£	£
Trade receivables	**-**	-
Trade payables	**-**	-

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

	2025	2024
	£	£
Other goods and services	**(913,099)**	(931,597)
Services income	**16,584**	14,579
Property sales	**-**	-

16 Related party transactions (continued)

Year end balances arising from Aequus Developments Limited amount to:

	2025 £	2024 £
Trade receivables	**17,431**	17,175
Trade payables	**(78,609)**	(116,476)

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:

	2025 £	2024 £
Cash and bank balances	**2,506,757**	2,370,584
	2,506,757	2,370,584

18 Reconciliation of profit to cash flow from operating activities

	2025 £	2024 £
Profit before taxation	**1,242,188**	8,961
Depreciation charges	**7,995**	7,339
Finance costs	**-**	-
Finance income	**(66,084)**	(87,742)
(Increase) / Decrease in inventories	**3,036,842**	(2,144,035)
(Increase) / decrease in trade and other receivables	**(464,619)**	(365,449)
Increase / (Decrease) in trade and other payables	**(50,301)**	54,556
Cash flow from operating activities	**3,706,021**	(2,526,370)

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 YEAR ENDED 31 MARCH 2025

Bishop Fleming

AEQUUS GROUP HOLDINGS LIMITED

COMPANY INFORMATION

DIRECTORS	C D Gerrish (resigned 6 May 2024) M Hyde L J Kew (resigned 6 May 2024) R H Marshall E Pickering D P E Quilter (resigned 30 September 2024) T Richens A W Wright V O'Brien S K Higham (appointed 7 May 2024) A Johnston (appointed 19 August 2024)
REGISTERED NUMBER	14025216
REGISTERED OFFICE	Cambridge House Henry Street Bath BS1 1BT
INDEPENDENT AUDITORS	Bishop Fleming Audit Limited Chartered Accountants & Statutory Auditors 10 Temple Back Bristol BS1 6FL

AEQUUS GROUP HOLDINGS LIMITED

CONTENTS

AEQUUS GROUP HOLDINGS LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2025

The directors present their report and the financial statements for the year ended 31 March 2025.

DIRECTORS

The directors who served during the year were:

C D Gerrish (resigned 6 May 2024)
M Hyde
L J Kew (resigned 6 May 2024)
R H Marshall
E Pickering
D P E Quilter (resigned 30 September 2024)
T Richens
A W Wright
V O'Brien
S K Higham (appointed 7 May 2024)
A Johnston (appointed 19 August 2024)

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.

AUDITORS

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

SMALL COMPANIES NOTE

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

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

T Richens
Tim Richens

T Richens
Director

Date: 23 October 2025

Cambridge House
Henry Street
Bath
BS1 1BT

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 MARCH 2025

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 year ended 31 March 2025, 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 2025 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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 Directors Report other than the financial statements and our Auditors' 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.

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 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

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 following:

- The nature of the industry and sector, control environment and business performance;
- Results of our enquires of management and directors in relation to their own identification and assessment of the risks of irregularities within the Company; and
- Any matters we identified having obtained and reviewed the Company's documentation of their policies and procedures relating to: identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance; detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; the internal controls established to mitigate risks of fraud or noncompliance with laws and regulations.

As a result of these procedures, we have considered the opportunities and incentives that may exist within the organisation for fraud and identified the areas of high risk to be in relation to management override of controls.

We have also obtained an understanding of the legal and regulatory frameworks that the Company operates in, focussing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures within the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Financial Reporting Standard 101 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 for the Company's ability to operate or avoid a material penalty.

Our audit procedures performed to respond to the risks identified included, but were not limited to:

- Reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud
- Reviewing board 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.

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

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from an error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

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.

N Coughlin
Nathan Coughlin

Nathan Coughlin FCA (Senior statutory auditor)
for and on behalf of
Bishop Fleming Audit Limited
Chartered Accountants
Statutory Auditors
10 Temple Back
Bristol
BS1 6FL
Date: 27 October 2025

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2025

	Note	2025 £	2024 £
Income from fixed assets investments		**771,000**	848,000
Profit before tax		**771,000**	848,000
Profit for the financial year		**771,000**	848,000
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Total comprehensive income for the year		**771,000**	848,000

The notes on pages 10 to 13 form part of these financial statements.

AEQUUS GROUP HOLDINGS LIMITED
REGISTERED NUMBER:14025216

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2025

	Note		2025 £		2024 £
Fixed assets					
Investments			**100**		100
			100		100
Current assets					
Cash at bank and in hand		**11**		11	
		11		11	
Creditors: amounts falling due within one year	7	**(11)**		(11)	
Net current assets			**-**		-
Total assets less current liabilities			**100**		100
Net assets			**100**		100
Capital and reserves					
Called up share capital			**100**		100
			100		100

The Company's financial statements have been prepared in accordance with the provisions applicable to entities subject to the small companies regime.

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

T Richens
Tim Richens

T Richens
Director

Date: 23 October 2025

The notes on pages 10 to 13 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2025

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2024	100	-	100
Profit for the year	-	771,000	771,000
Dividends paid	-	(771,000)	(771,000)
At 31 March 2025	100	-	100

The notes on pages 10 to 13 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2024

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2023	100	-	100
Profit for the year	-	848,000	848,000
Dividends paid	-	(848,000)	(848,000)
At 31 March 2024	100	-	100

The notes on pages 10 to 13 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 2025 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 2024/25 to 2026/27 the Directors see no issues relating to the going concern status of the company. As a holding company, no costs or trading are expected to be incurred other than the pass through of dividends.

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 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 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

2. ACCOUNTING POLICIES (CONTINUED)

2.7 FINANCIAL INSTRUMENTS (CONTINUED)

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 year was as follows:

	2025 No.	2024 No.
Directors	**9**	9

5. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £
COST OR VALUATION	
At 1 April 2024	**100**
At 31 March 2025	**100**

6. CASH AND CASH EQUIVALENTS

	2025 £	2024 £
Cash at bank and in hand	**11**	11
	11	11

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2025 £	2024 £
Amounts owed to group undertakings	**11**	11
	11	11

8. 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

<table>
<tr><th colspan="3">Bath & North East Somerset Council</th></tr>
<tr><td>MEETING/ DECISION MAKER:</td><td colspan="2">Audit Committee</td></tr>
<tr><td>MEETING DATE:</td><td>26th November 2025</td><td>E 9999</td></tr>
<tr><td>TITLE:</td><td colspan="2">Section 106 – Update report on Audit Findings</td></tr>
<tr><td>WARD:</td><td colspan="2">All WARDS</td></tr>
<tr><td colspan="3">AN OPEN PUBLIC ITEM</td></tr>
<tr><td colspan="3">List of attachments to this report:
Please list all the appendices here, clearly indicating any which are exempt and the reasons for exemption</td></tr>
</table>

1 THE ISSUE

1.1 An internal audit in 2022 reviewed S106 funding and the use of secured funds, resulting in a 'Limited Assurance' rating. This was reported to the Audit Committee in November 2022.

1.2 The 2022 report identified three high-risk areas, two medium-risk areas, and two opportunities. Whilst the medium-risk areas were mitigated and one opportunity delivered, the high-risk areas remained unresolved, principally due to lack of consistency in the use of the Council's S106 data management system ("Exacom"), a lack of capacity within teams, and the absence of a robust governance framework. This led to the assurance rating remaining 'limited', as reported in May 2024.

1.3 This report updates on progress including delivery of the project, the changes implemented, and the outstanding actions required.

2 RECOMMENDATION

2.1 The Audit Committee is asked to note the report, specifically:

a) The work undertaken to address the issues identified in the 2022 audit report

b) The implementation of the project and proposed governance arrangements

c) The outstanding matters requiring action and the timescale for delivery.

3 THE REPORT

3.1 In response to risks identified by the Audit Committee, a collaborative council service project was initiated to address governance and operational issues related to S106 and CIL funds. The project aimed to centralize data, improve processes, and implement new systems to ensure transparency and accountability.

3.2 The project aims were :-

a) To ensure all S106 funding information is centralised on one system.

b) To implement a new way of working and bring in an additional resource into the Planning team to support the management, monitoring and reporting of S106 (and CIL).

c) To ensure there is a link between the Council's financial system and Development Obligations system (Agresso and Exacom)

d) To implement Exacom's Public Facing Module

3.3 A fundamental part of the project was to update Exacom (the Councils IT platform) with all historic and current S106 information providing the council with accurate management information relating to its S106 position. Having all information centralised sets the foundations for the successful implementation of new ways of working. This work is well advanced but ongoing at the time of this report. The project team officer has indicated that it will be completed by 21st November.

3.4 Aligned with this it was important to ensure a culture shift in the way services manage S106 funds. A S106 App was developed to integrate with Exacom and the way in which S106 funds is requested managed and monitored was changed.

3.5 Under the new ways of working, Planning receives and holds all developer contributions into a single account and services request money from this account for specific projects. Money is requested on a newly created app. Once a request is approved the funds are transferred to finance who oversee the spend by the relevant service.

3.6 The new approach provides central oversight of fund collection, allocation, and spending and enables Planning to effectively monitor the use of S106. Services remain responsible for the spend of funds and delivery of projects however by centralising the reporting process it significantly reduces the risk of funds becoming time barred and needing to be repaid to developers and ensures all information is transparent.

3.7 Using the Public Facing Module (PFM currently configured as an internal-only access system) services can monitor their own S106 balance sheets in real-time, and can see where money has been allocated and identify when money is due to be spent by.

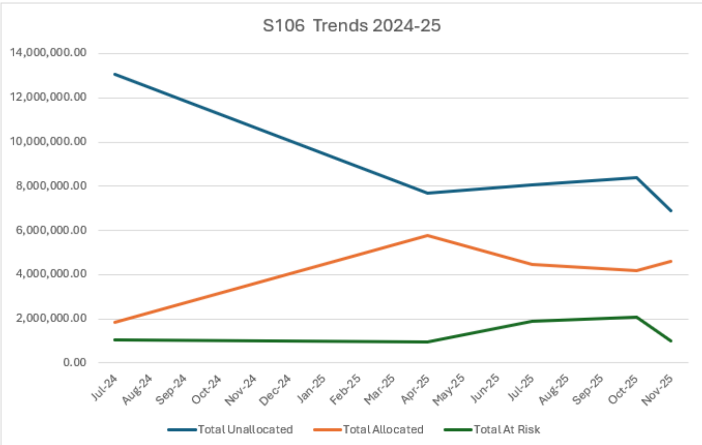
3.8 Critical to the success of the new way of working and critical to ensuring Exacom and the PFM are maintained and up to date is the requirement for Planning to be sufficiently resourced and skilled with sufficient support provided to the CIL/S106 Monitoring Officer. The Planning Service have recruited an additional resource to support the new processes currently on a 1 year fixed term basis. A review will be undertaken in March 2026 to assess staffing requirements going forward.

3.9 The Exacom module and its data is currently available as an internal resource whilst testing and any necessary refinement is undertaken. A further decision will be made as to the launch of the module externally in 2026 after it has been operated and tested. This decision will be with Senior officials input.

3.10 In addition to the new operating processes, there are new governance arrangements in place that clearly set out the roles and responsibilities for Planning, Services, and Finance to ensure clarity and maintain accountability. This clarifies roles and responsibilities for Planning, other Council Services and Finance.

- Steering groups oversee allocation of S106 funds to projects.
- Capital Strategy Group receives quarterly reports on overall Section 106 position.
- Escalation route for issues Placeshaping Group.
- Quarterly report to Cabinet; Audit committee to track progress

3.11 There are some ongoing risks from historic funds that are approaching deadlines and these are being managed and mitigated. As can be seen below the risk profile is reducing and funds are being allocated.



3.12 There is in addition a recognised and ongoing need to interrogate how CIL is requested and spent and how and what S106 funds are secured providing as much flexibility as possible. This has to be considered within statutory and legal frameworks and that is now being looked into within the planning service as a separate workstream.

3.13 There has been significant progress made to implement a new better and more transparent process for spending funds secured. The new improvements will significantly reduce the risk of money being refunded. Work is ongoing to test and refine the new process and there is an ongoing intent to improve and enable access to this information externally.

4 STATUTORY CONSIDERATIONS

4.1 S106 agreements are required to comply with three legal tests: they must be necessary to make a development acceptable in planning terms, directly related to the development, and fairly and reasonably related in scale and kind to the development. Unlike the Community Infrastructure Levy, S106 is ringfenced to what is specified in the legal agreement accompanying the relevant planning application and as such these funds cannot be used as a general pool of funding. The Council is accountable for how it uses its S106 funds and is required to publish an annual report (the Infrastructure Funding Statement) detailing the collection and expenditure of its S106 funds.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

5.1 Adopting the new ways of working requires staff resource to ensure the system is maintained and to enable accurate and transparent reporting through the Public Facing Module.

5.2 The Planning Service have recruited an additional resource to support the new processes however this is on a 1 year fixed term basis. A review will be undertaken in March 2026 to assess staffing requirements against any increase in workload and the ability to maintain the relevant systems up to date.

6 RISK MANAGEMENT

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

7 EQUALITIES

7.1 EqIA not completed as this is an update to Audit Committee to provide information about the work undertaken to mitigate risks identified in a 2022 audit report.

8 CLIMATE CHANGE

8.1 Developer contributions are sought to mitigate the impact of development on its immediate area, this precise mitigation will be dependent on the specifics of the planning application however can include initiatives to support retrofitting/ installation of solar on affordable housing, delivery of green infrastructure, supporting sustainable travel, or supporting nature conservation projects.

8.2 Ensuring the council has oversight of its secured funds enables the timely delivery of relevant projects that can support the council’s climate and ecological emergency commitments, reduces the risk of repaying funds to developers, and improves transparency and accountability.

9 OTHER OPTIONS CONSIDERED

9.1 This is an update report on the completion of the project responding to the audit recommendations.

10 CONSULTATION

N/A

Contact person	Louise Morris (Head of Planning and Building Control)
Background papers	*List here any background papers not included with this report, and where/how they are available for inspection.*
Please contact the report author if you need to access this report in an alternative format	

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Bath & North East Somerset Council	
MEETING	**Audit Committee**
MEETING DATE:	**26th November 2025**
TITLE:	**Treasury Management Performance Report to 30th September 2025**
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 2025 **Appendix 3** – Average monthly rate of return for the first six months of 2025/26 **Appendix 4** – The Council's External Borrowing Position at 30th September 2025 **Appendix 5** – Arlingclose's Economic & Market Review Q2 of 2025/26 **Appendix 6** – Interest & Capital Financing Budget Monitoring 2025/26 **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 six months of 2025/26.

2 RECOMMENDATION

The Audit Committee is asked to note;

2.1 The Treasury Management Report to 30th September 2025, prepared in accordance with the CIPFA Treasury Code of Practice; and

2.2 The Treasury Management Indicators to 30th September 2025.

3 THE REPORT

Summary

3.1 The Council's Treasury Management Indicators for 2025/26 were agreed by Council in February 2025 and performance against the key indicators is shown in **Appendix 1**. All indicators are within target levels.

3.2 The estimated average rate of return on operational investments for the period 1st April 2025 – 30th September 2025 is 4.19%, which is 0.04% above the 7 Day SONIA benchmark rate of 4.15%. For the same period, it is estimated that strategic investments earned 4.22% which is 0.03% below the budgeted return of 4.25%.

3.3 The Council's revenue budget for interest & capital financing costs for 2025/26 is currently forecast to be £0.837m under budget. This is due to a combination of lower rates achieved on new borrowing when compared to budgeted rates, higher rates earned on investments than budgeted and a lower Minimum Revenue Provision (MRP) charge, reflecting the rephasing of capital projects reported in the 2024/25 capital outturn report. The breakdown of the 2025/26 revenue budget for interest and capital financing, and the forecast year-end position, is included in **Appendix 6**.

Economic Overview

3.4 The Council's Treasury Management Advisor's economic and market review for 2025/26 is included in **Appendix 5**. The main headlines are as follows:

- Interest Rates were cut by 0.25% to 4.00% on 7th of August and have been decreasing at 0.25% each quarter for the last year. While the market has priced in another 0.25% before April 2026, there is now increased uncertainty as to exactly when this might occur.

- UK Inflation has increased from 2.6% in March to 3.8% in August.

- The UK Economy expanded by 0.3% in the second quarter of 2025, down from 0.7% in the first quarter of 2025.

- Gilt yields continued to be volatile with the 10-year UK benchmark gilt ranging from 4.45% to 4.82% in the quarter ending it at 4.70%.

- The 7-day average SONIA (Sterling Overnight rate) for the first half of 2025/26 is 4.15%. This is the benchmark rate used by the council for operational investments.

Borrowing

3.5 The Council's external borrowing as at 30th September 2025 totalled £278.01m and is detailed in **Appendix 4**. This includes £10m in new short-term loans taken out in April 2025, to cover the annual pension contribution prepayment, and allow us to maintain our liquidity indicator above £15m, as well as £40m of borrowing to replace maturing loans. The summary of the movement in borrowing during the quarter and for the full financial year is shown in the following table:

Borrowing Portfolio Movements	Financial Year 2025/26 £m
Balance as at 1st April 2025	**275.713**
New Loans Taken	50.000
Maturity Loan Repayments	(45.000)
PWLB Annuity Loan principal repayments	(2.703)
Balance as at 30th September 2025	**278.010**

3.6 The Council's Capital Financing Requirement (CFR) is forecasted to be £441.8m on 31st March 2026 based on the Capital Programme agreed in February 2025, including both fully and provisionally approved schemes. The Actual CFR on 31st March 2025 was £373m. 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.

3.7 The difference between the CFR and the current borrowing of £278m represents re-investment of the internal balances including reserves, reducing the in-year borrowing costs in excess of the potential investment returns.

3.8 The Liability Benchmark in **Appendix 1** illustrates the current borrowing and current and projected CFR and liability benchmark. The benchmark is lower than the CFR as it recognises the Council's ability to internally borrow to fund capital and therefore shows the optimum level of borrowing for the council that minimises risks and costs of borrowing. This gap is a useful guide to the optimal amount and duration of borrowing to minimise interest and credit risk. This is currently £43.59m and circa 28 years.

3.9 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 of 31st March 2025 apportioned to Bath & North East Somerset Council is £9.277m. 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 3.5.

Investments

3.10 As demonstrated by the liability benchmark in **Appendix 1**, the Council expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day to day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different asset classes and maintain stable investment income over the medium to long term.

3.11 At 30th September 2025, the Council had £51.8m in investments, with £41.8m in short term liquid investments and £10m in externally managed strategic funds. The balance of deposits is set out in the charts in **Appendix 2**, along with the equivalent for the previous quarter and year for comparison.

3.12 **Appendix 3** details the investment performance, showing the average rate of interest earned over this period, which are made up as follows:

Investment Type	Average Investment Return
Money Market Funds (MMF)	4.26%
Call Accounts	3.54%
Fixed Deposits	4.23%
Operational Investments Total	**4.19%**
CCLA Local Authorities Property Fund	3.87%
FP Foresight UK Infrastructure Income Fund	4.96%
VT Gravis Clean Energy Income Fund	4.00%
Strategic Investments Total (Est.)	**4.22%**

3.13 At 30th September 2025, the Council has earned 4.19% from Operational investments, which is 0.04% above the 7-day SONIA benchmark Rate of 4.15% and 0.19% above the budgeted rate of 4.00%. Strategic funds earned an estimated return of 4.22% which is 0.03% below the budgeted rate of 4.25%.

3.14 The Council hold £10m invested in externally managed strategic pooled funds, where the objectives are regular revenue income and long-term price stability. These investments were made with 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.

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 high inflation and interest rates, the value of equity, bonds and property have fallen significantly. However, in the last six months we have seen a small increase in the value of our strategic investments of £176k to £7.729m, up from £7.553m on 31 March 2025. 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:				
30/09/2025	4,269,278	2,162,156	1,297,843	**7,729,276**
30/06/2025	4,260,249	2,246,128	1,336,119	**7,842,497**
31/03/2025	4,253,634	2,072,300	1,227,138	**7,553,072**
31/03/2024	4,177,465	2,173,120	1,346,161	**7,696,746**

This change in valuation does not currently have an impact on the revenue account or usable reserves due to a statutory override, and gains/losses will instead go to an unusable reserve. With the extension of the statutory override until 31st March 2029 for investments existing before 1st April 2024, these will only be charged to revenue if/when the Council's holding in the pooled funds are sold, or in 2029/30. The Council has in place a Capital Financing Reserve which can be used to mitigate any future revenue impacts should the statutory override be removed.

Budget Implications

3.15 The breakdown of the 2025/26 revenue budget and the forecast year end position for interest and capital financing, based on the period April to September 2025, is included in **Appendix 6**. An overall underspend of £837k is reported towards the Council's net revenue outturn. This is due to lower borrowing rates achieved on year to date borrowing when compared to budgeted rates, higher interest rates than budgeted earned on investments and a lower than budgeted MRP charge.

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 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.

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

6.3 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 and when 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 2025/26, 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 3.14.

9 OTHER OPTIONS CONSIDERED

9.1 None

10 CONSULTATION

10.1 Consultation has been carried out with the Cabinet Member for Resources, Director of Financial Services, Assurance & Pensions (s151 Officer) and Monitoring Officer.

Contact person	*Claire Read - 01225 477109; Jamie Whittard - 01225 477213 Claire_Read@BATHNES.GOV.UK: Jamie_Whittard@BATHNES.GOV.UK*
Background papers	*2025/26 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.

	2025/26 Prudential Indicator	**Actual as at 30th September 2025**
Operational boundary – borrowing.	£414m	£278.01m
Operational boundary – other long-term liabilities	£9m	£0m
Operational boundary – TOTAL	**£423m**	**£278.01m**
Authorised limit – borrowing.	£442m	£278.01m
Authorised limit – other long-term liabilities.	£9m	£0m
Authorised limit – TOTAL	**£451m**	**£278.01m**

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**.

	2025/26 Prudential Indicator	**Actual as at 30th September 2025**
	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	2025/26 Prudential Indicator	Minimum During year	Date of minimum
Minimum total Cash Available within 3 months	£15m	£18.8m	30-Apr-25

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.

	2025/26 Prudential Indicator	Actual as at 30th September 2025
Upper limit on one-year revenue impact of a 1% rise in interest rates	+/- £0.80m	-£0.06m
Upper limit on one-year revenue impact of a 1% fall in interest rates	+/- £0.80m	£0.06m

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 £80m.

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 2025
	%	%	%
Under 12 months	30	Nil	17.98
12 months and within 24 months	30	Nil	0.00
24 months and within 5 years	50	Nil	7.19
5 years and within 10 years	75	Nil	12.70
10 years and within 25 years	100	25	37.24
Over 25 years	100		24.89

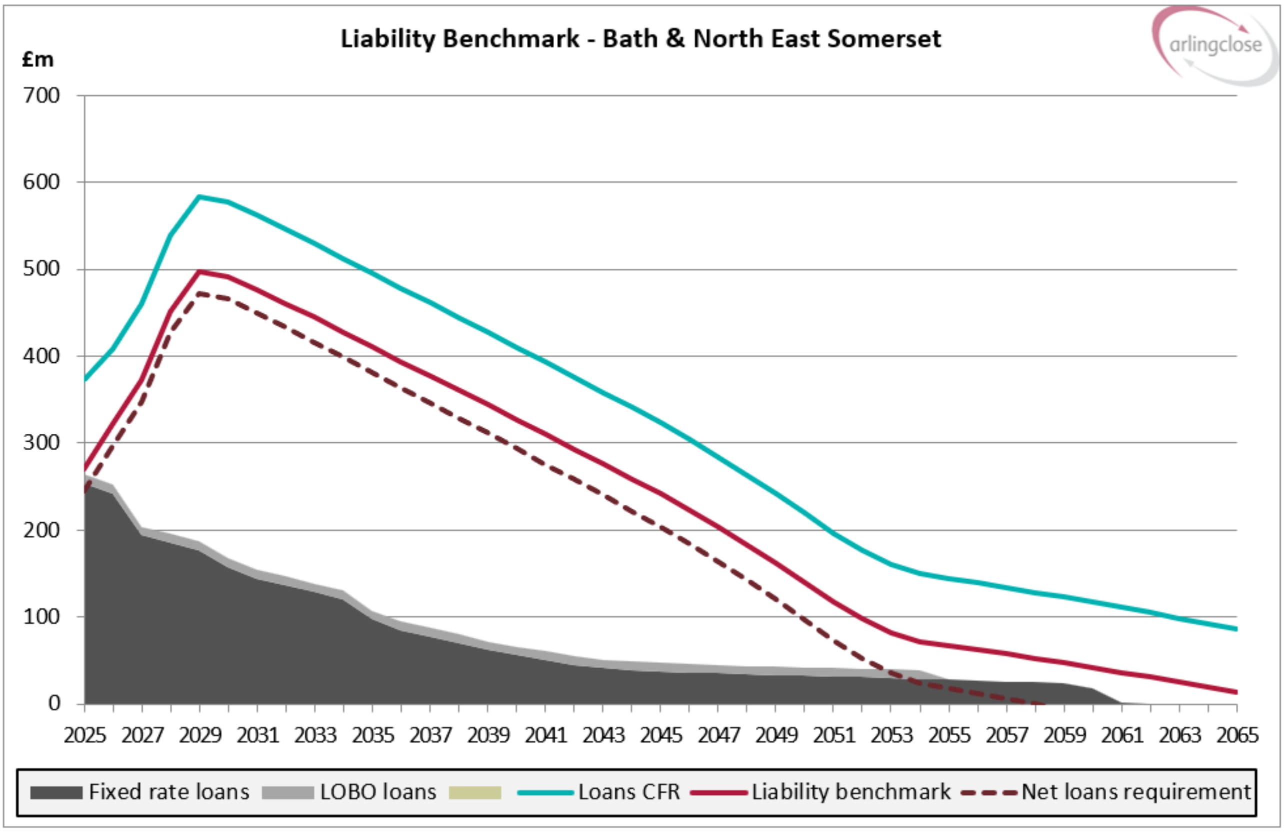
Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date that the lender can demand repayment. For LOBO's, this is shown at the date of maturity as the council would only consider repaying these loans if the lenders exercised their option to alter the interest rate.

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	2025/26 Prudential Indicator	Actual as at 30th September 2025
Limit on principal invested beyond 31st March 2025	£50m	£10m*
Limit on principal invested beyond 31st March 2026	£20m	£10m*
Limit on principal invested beyond 31st March 2027	£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 the actual borrowing (the grey slopes) and the liability benchmark (the solid red line) shows that the council is under borrowed by around £43.59m in 2025/26. When it comes to 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 2025

The term of investments is as follows:

Term Remaining	Balance at 30th September 2025	Comparator	
		Balance at 30th June 2025	Balance at 31st March 2025
	£m	**£m**	**£m**
Notice (instant access funds)	31.80	30.40	22.60
Up to 1 month	0.00	0.00	0.00
1 month to 3 months	10.00	0.00	0.00
3 months to 6 months	0.00	0.00	0.00
6 months to 12 months	0.00	0.00	0.00
Strategic Funds	10.00	10.00	10.00
Total	**51.80**	**40.40**	**32.60**

The investment figure is made up as follows:

	Balance at 30th September 2025	Comparator	
		Balance at 30th June 2025	Balance at 31st March 2025
	£m	**£m**	**£m**
B&NES Council	48.59	36.93	29.77
Schools	3.21	3.47	2.83
Total	**51.80**	**40.40**	**32.60**

The Council had a total average net positive balance of £55.5m during the period April 2025 to September 2025.

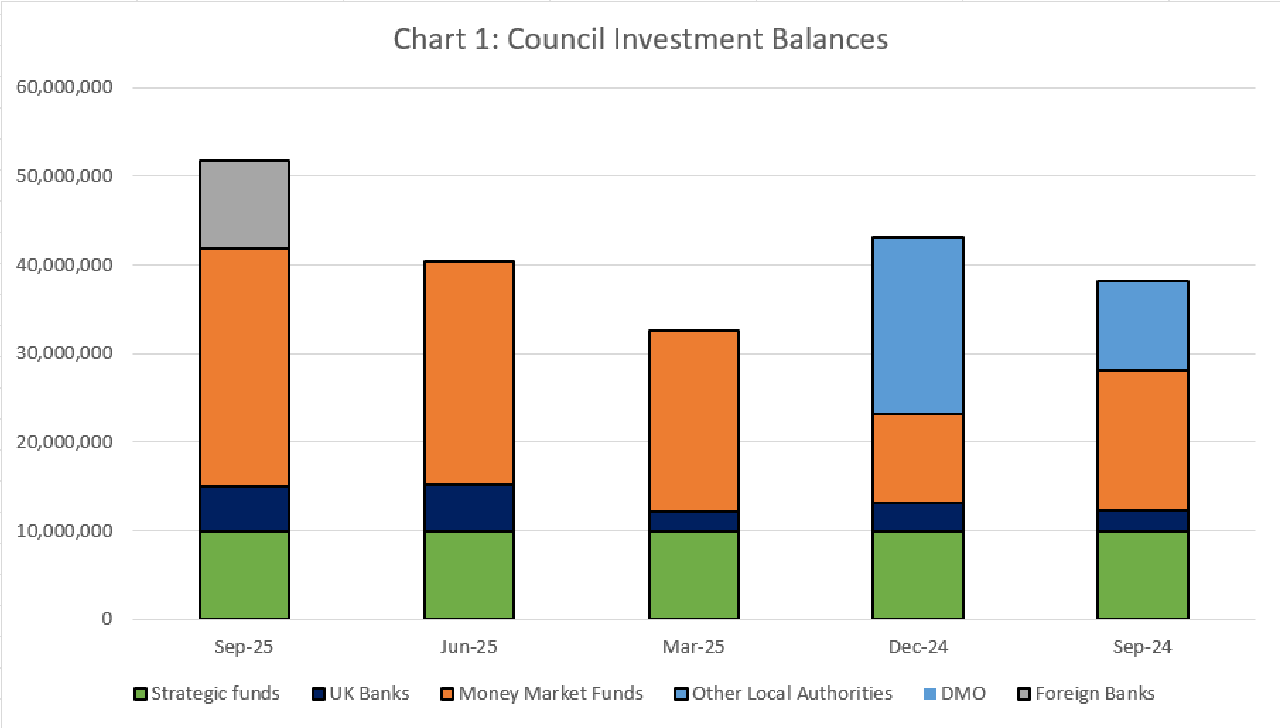


Chart 1: Council Investment Balances
60,000,000
50,000,000
40,000,000
30,000,000
20,000,000
10,000,000
0
Sep-25
Jun-25
Mar-25
Dec-24
Sep-24
Strategic funds
UK Banks
Money Market Funds
Other Local Authorities
DMO
Foreign Banks

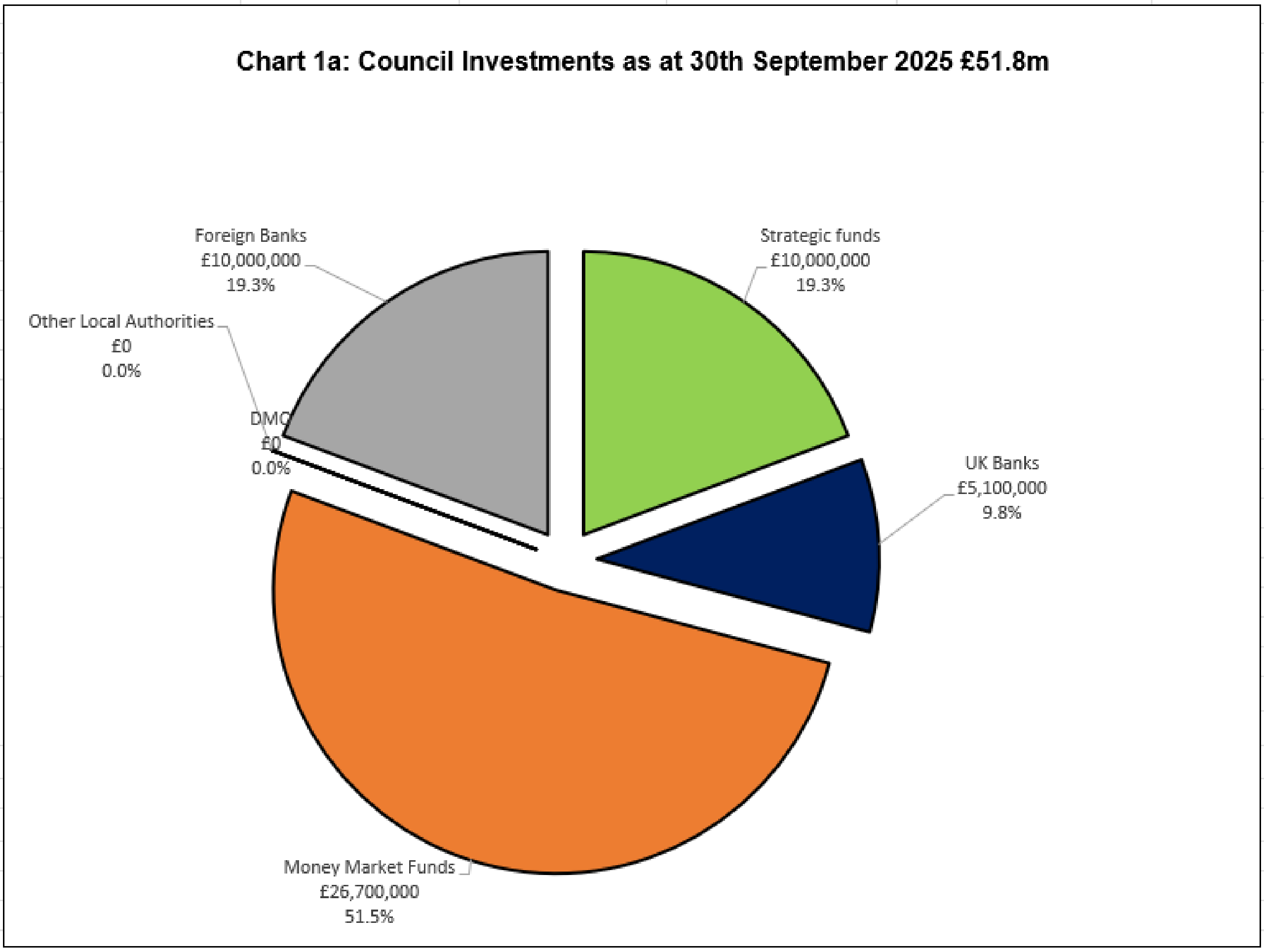


Chart 1a: Council Investments as at 30th September 2025 £51.8m
Foreign Banks
£10,000,000
19.3%
Strategic funds
£10,000,000
19.3%
Other Local Authorities
£0
0.0%
DMO
£0
0.0%
UK Banks
£5,100,000
9.8%
Money Market Funds
£26,700,000
51.5%

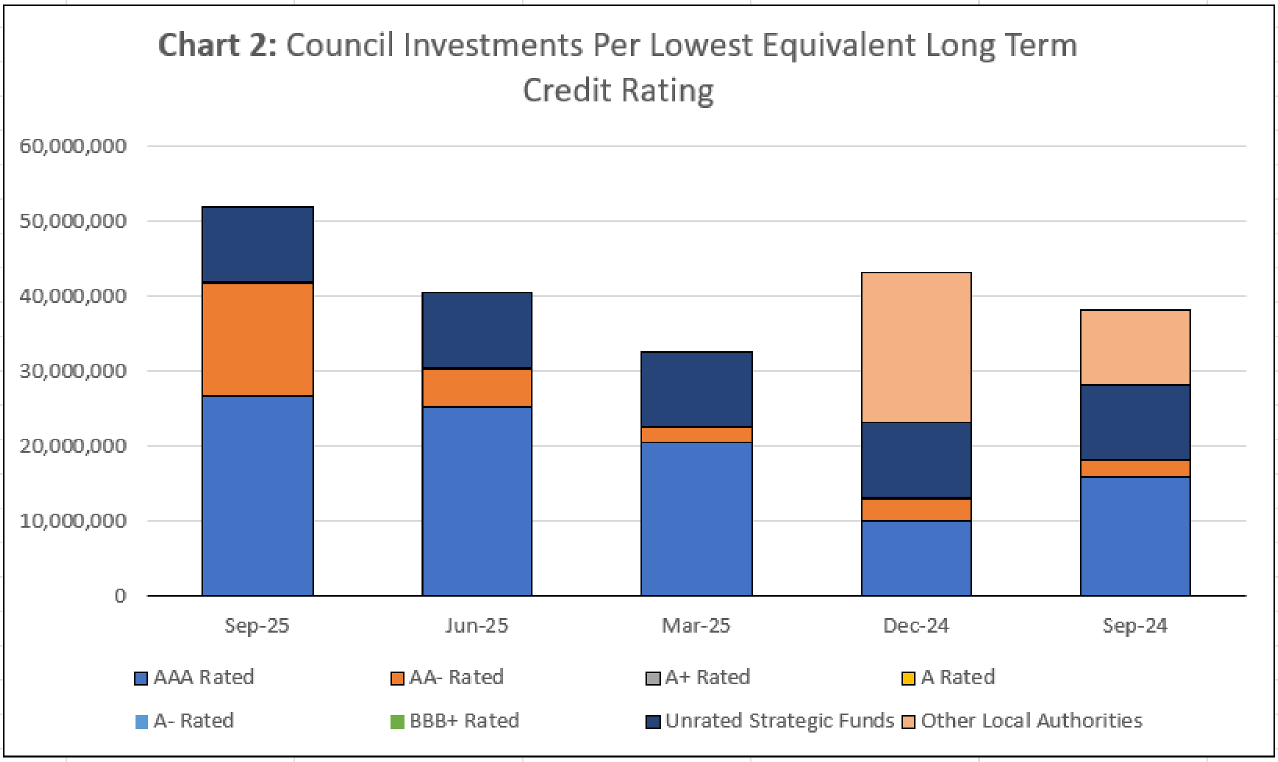


Chart 2: Council Investments Per Lowest Equivalent Long Term Credit Rating
60,000,000
50,000,000
40,000,000
30,000,000
20,000,000
10,000,000
0
Sep-25
Jun-25
Mar-25
Dec-24
Sep-24
AAA Rated
AA- Rated
A+ Rated
A Rated
A- Rated
BBB+ Rated
Unrated Strategic Funds
Other Local Authorities

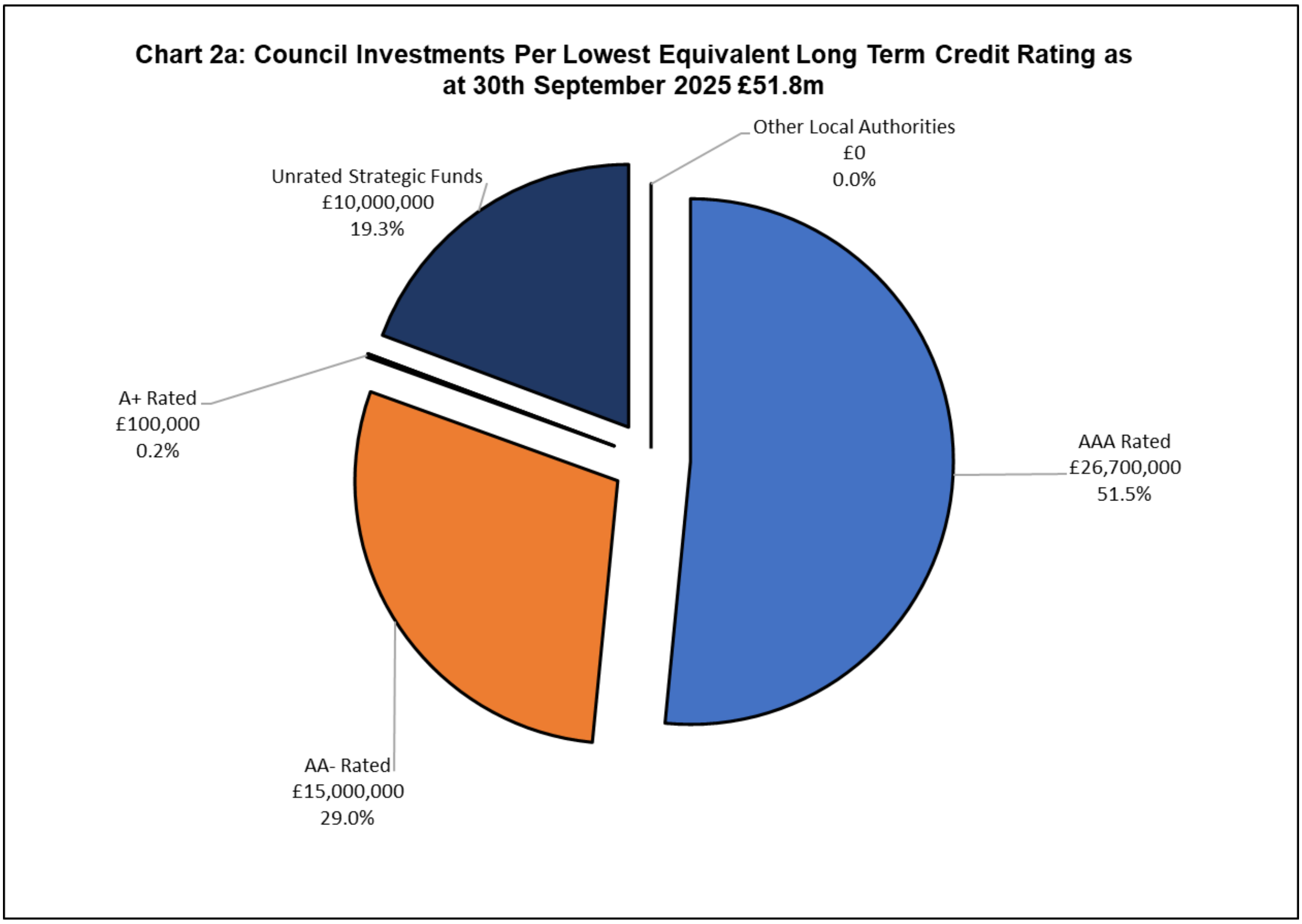


Chart 2a: Council Investments Per Lowest Equivalent Long Term Credit Rating as at 30th September 2025 £51.8m
Other Local Authorities
£0
0.0%
Unrated Strategic Funds
£10,000,000
19.3%
A+ Rated
£100,000
0.2%
AAA Rated
£26,700,000
51.5%
AA- Rated
£15,000,000
29.0%

APPENDIX 3

Operational investment return

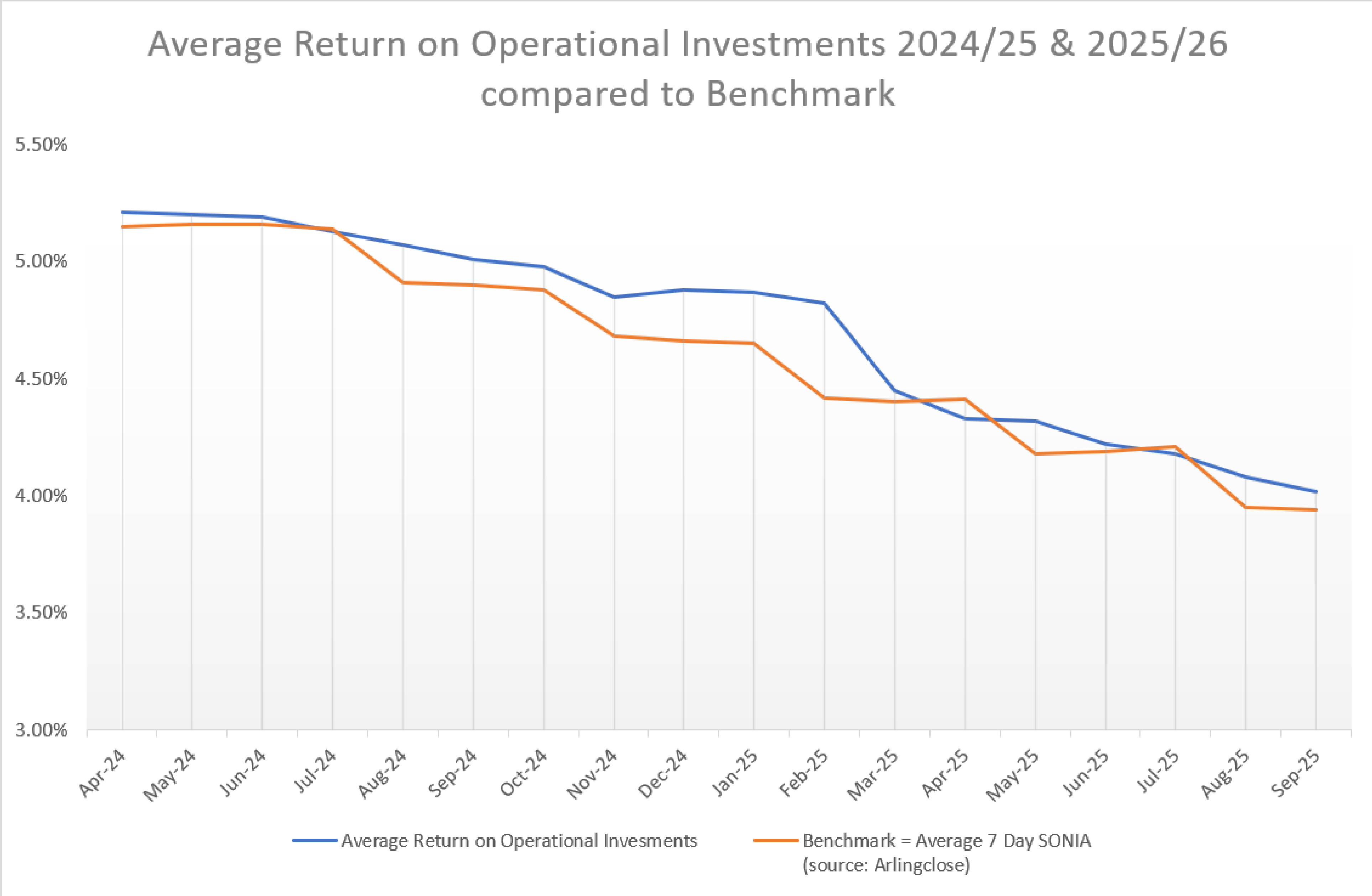
	Average rate of interest earned	Benchmark = Average 7 Day SONIA rate	Performance against Benchmark
April 2025	4.33%	4.41%	-0.08%
May 2025	4.32%	4.18%	0.14%
June 2025	4.22%	4.19%	0.03%
July 2025	4.18%	4.21%	-0.03%
August 2025	4.08%	3.95%	0.13%
September 2025	4.02%	3.94%	0.08%
Average	**4.19%**	**4.15%**	**0.04%**

For comparison, the average rate of return on investments in 2024/25 was as follows:

	Average rate of interest earned	Benchmark = Average 7 Day SONIA rate	Performance against Benchmark
April 2024	5.21%	5.15%	0.06%
May 2024	5.20%	5.16%	0.04%
June 2024	5.19%	5.16%	0.03%
July 2024	5.13%	5.14%	-0.01%
August 2024	5.07%	4.91%	0.16%
September 2024	5.01%	4.90%	0.11%
October 2024	4.98%	4.88%	0.10%
November 2024	4.85%	4.68%	0.17%
December 2024	4.88%	4.66%	0.22%
January 2025	4.87%	4.65%	0.22%
February 2025	4.82%	4.42%	0.40%
March 2025	4.45%	4.40%	0.05%
Average	**4.97%**	**4.84%**	**0.13%**

Strategic investment return

Estimated average return for strategic investments was 4.22% against a budgeted return of 4.25%. In 2024/25 the average return was 4.25%


Average Return on Operational Investments 2024/25 & 2025/26 compared to Benchmark
5.50%
5.00%
4.50%
4.00%
3.50%
3.00%
Apr-24
May-24
Jun-24
Jul-24
Aug-24
Sep-24
Oct-24
Nov-24
Dec-24
Jan-25
Feb-25
Mar-25
Apr-25
May-25
Jun-25
Jul-25
Aug-25
Sep-25
Average Return on Operational Invesments
Benchmark = Average 7 Day SONIA (source: Arlingclose)

APPENDIX 4

Council's External Borrowing at 30th September 2025

Lender	Amount outstanding @ 30th June 2025 £	Change in Quarter £	Amount outstanding @ 30th September 2025 £	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	**14,105,914**	-	**14,105,914**	20/06/2016	20/06/2041	2.36%
PWLB508126	**7,767,122**	-	**7,767,122**	06/12/2018	20/06/2043	2.38%
PWLB508202	**9,246,861**	-	**9,246,861**	12/12/2018	20/06/2068	2.59%
PWLB508224	**3,868,978**	-	**3,868,978**	13/12/2018	20/06/2043	2.25%
PWLB505744	**7,011,719**	(205,378)	**6,806,341**	24/02/2017	15/08/2039	2.28%
PWLB505966	**7,387,372**	(179,414)	**7,207,958**	04/04/2017	15/02/2042	2.26%
PWLB506052	**6,277,170**	(152,583)	**6,124,587**	08/05/2017	15/02/2042	2.25%
PWLB506255	**6,397,257**	-	**6,397,257**	10/08/2017	10/04/2067	2.64%
PWLB506729	**7,585,986**	-	**7,585,986**	13/12/2017	10/10/2042	2.35%
PWLB506995	**7,625,752**	-	**7,625,752**	06/03/2018	10/10/2042	2.52%
PWLB506996	**8,178,315**	-	**8,178,315**	06/03/2018	10/10/2047	2.62%
PWLB507749	**7,947,620**	(171,569)	**7,776,051**	10/09/2018	20/07/2043	2.42%
PWLB508485	**18,678,776**	(119,326)	**18,559,450**	11/02/2019	20/07/2068	2.52%
PWLB509840	**8,089,023**	(181,106)	**7,907,916**	04/09/2019	20/07/2044	1.40%
PWLB677322	**4,646,572**	-	**4,646,572**	22/11/2023	22/11/2038	4.88%
PWLB687799	**4,630,494**	-	**4,630,494**	29/12/2023	29/12/2038	4.28%
PWLB700594	**9,522,146**	(247,093)	**9,275,053**	09/02/2024	09/02/2039	4.54%

Lender	Amount outstanding @ 30th June 2025 £	Change in Quarter £	Amount outstanding @ 30th September 2025 £	Start date	End date	Interest rate
PWLB815779	**10,000,000**	-	**10,000,000**	10/04/2025	09/04/2030	4.45%
PWLB816767	**10,000,000**	-	**10,000,000**	14/04/2025	13/04/2035	4.50%
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%
Medium term		-	**5,000,000**			
Tunbridge Wells B.C.	**5,000,000**	-	**10,000,000**	14/11/2024	14/11/2025	4.85%
PWLB781146	**10,000,000**	-	**5,000,000**	09/12/2024	09/12/2025	5.09%
North Yorkshire Council	**5,000,000**	-	**5,000,000**	26/03/2025	25/03/2026	4.75%
Halton Borough Council	**-**	-	**5,000,000**	21/03/2025	20/06/2025	6.00%
West of England Combined Authority	**5,000,000**	-	**5,000,000**	25/04/2025	27/10/2025	4.50%
South Oxfordshire District Council	**5,000,000**	-	**10,000,000**	25/04/2025	24/04/2026	4.50%
West of England Combined Authority	**5,000,000**	-	**5,000,000**	29/04/2025	28/04/2026	4.50%
West Midlands Combined Authority	**10,000,000**	-	**10,000,000**	30/04/2025	29/04/2026	4.45%
Portsmouth City Council	**5,000,000**	-	**5,000,000**	07/05/2025	06/05/2026	4.50%
Total Borrowing	**279,267,077**	**(1,256,469)**	**278,010,608**			

*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: The first quarter was dominated by the fallout from the US trade tariffs and their impact on equity and bond markets. The second quarter, still rife with uncertainty, saw equity markets making gains and a divergence in US and UK government bond yields, which had been moving relatively closely together.

From late June, amid a UK backdrop of economic uncertainty, concerns around the government's fiscal position and speculation around the autumn Budget, yields on medium and longer term gilts pushed higher, including the 30-year which hit its highest level for almost 30 years.

UK headline annual consumer price inflation (CPI) increased over the period, rising from 2.6% in March to 3.8% in August, still well above the Bank of England's 2% target. Core inflation also rose, from 3.4% to 3.6% over the same period, albeit the August reading was down % from 3.8% the previous month. Services inflation also fell from July to August, to 4.7% from 5.0%.

The UK economy expanded by 0.7% in the first quarter of the calendar year and by 0.3% in the second quarter. In the final version of the Q2 2025 GDP report, annual growth was revised upwards to 1.4% y/y. However, monthly figures showed zero growth in July, in line with expectations, indicating a sluggish start to Q3.

Labour market data continued to soften throughout the period, with the unemployment rate rising and earnings growth easing, but probably not to an extent that would make the more hawkish MPC members comfortable with further rate cuts. In addition, the employment rate rose while the economic inactivity rate and number of vacancies fell.

The BoE's Monetary Policy Committee (MPC) cut Bank Rate from 4.5% to 4.25% in May and to 4.0% in August after an unprecedented second round of voting. The final 5-4 vote was for a 25bps cut, with the minority wanting no change. In September, seven MPC members voted to hold rates while two preferred a 25bps cut. The Committee's views still differ on whether the upside risks from inflation expectations and wage setting outweigh downside risks from weaker demand and growth.

The August BoE Monetary Policy Report highlighted that after peaking in Q3 2025, inflation is projected to fall back to target by mid-2027, helped by increasing spare capacity in the economy and the ongoing effects from past tighter policy rates. GDP is expected to remain weak in the near-term while over the medium term outlook will be influenced by domestic and global developments.

Arlingclose, the authority's treasury adviser, maintained its central view that Bank Rate would be cut further as the BoE focused on weak GDP growth more than higher inflation. One more cut is currently expected during 2025/26, taking Bank Rate to 3.75%. The risks to the forecast are balanced in the near-term but weighted to the downside further out as weak consumer sentiment and business confidence and investment continue to constrain growth. There is also considerable uncertainty around the autumn Budget and the impact this will have on the outlook.

Against a backdrop of uncertain US trade policy and pressure from President Trump, the US Federal Reserve held interest rates steady for most of the period, before cutting the Fed Funds Rate to 4.00%-4.25% in September. Fed policymakers also published their new economic projections at the same time. These pointed to a 0.50% lower Fed Funds Rate by the end of 2025 and 0.25% lower in 2026, alongside GDP growth of 1.6% in 2025, inflation of 3%, and an unemployment rate of 4.5%.

The European Central Bank cut rates in June, reducing its main refinancing rate from 2.25% to 2.0%, before keeping it on hold through to the end of the period. New ECB projections predicted inflation averaging 2.1% in 2025, before falling below target in 2026, alongside improving GDP growth, for which the risks are deemed more balanced and the disinflationary process over.

Financial markets: After the sharp declines seen early in the period, sentiment in financial markets improved, but risky assets have generally remained volatile. Early in the period bond yields fell, but ongoing uncertainty, particularly in the UK, has seen medium and longer yields rise with bond investors requiring an increasingly higher return against the perceived elevated risk of UK plc. Since the sell-off in April, equity markets have gained back the previous declines, with investors continuing to remain bullish in the face of ongoing uncertainty.

Over the period, the 10-year UK benchmark gilt yield started at 4.65% and ended at 4.70%. However, these six months saw significant volatility with the 10-year yield hitting a low of 4.45% and a high of 4.82%. It was a broadly similar picture for the 20-year gilt which started at 5.18% and ended at 5.39% with a low and high of 5.10% and 5.55% respectively. The Sterling Overnight Rate (SONIA) averaged 4.19% over the six months to 30th September.

Credit review: Arlingclose maintained its recommended maximum unsecured duration limit on the majority of the banks on its counterparty list at 6 months. The other banks remain on 100 days.

Early in the period, Fitch upgraded NatWest Group and related entities to AA- from A+ and placed Clydesdale Bank's long-term A- rating on Rating Watch Positive. While Moody's downgraded the long term rating on the United States sovereign to Aa1 in May and also affirmed OP Corporate's rating at Aa3.

Then in the second quarter, Fitch upgraded Clydesdale Bank and also HSBC, downgraded Lancashire CC and Close Brothers while Moody's upgraded Transport for London, Allied Irish Banks, Bank of Ireland and Toronto-Dominion Bank.

After spiking in early April following the US trade tariff announcements, UK credit default swap prices have since generally trended downwards and ended the period at levels broadly in line with those in the first quarter of the calendar year and throughout most of 2024.

European banks' CDS prices has followed a fairly similar pattern to the UK, as have Singaporean and Australian lenders while Canadian bank CDS prices remain modestly elevated compared to earlier in 2025 and in 2024.

Overall, at the end of the period CDS prices for all banks on Arlingclose's counterparty list remained within limits deemed satisfactory for maintaining credit advice at current durations.

Financial market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.

APPENDIX 6

Interest & Capital Financing Costs – Budget Monitoring 2025/26

April 2025 to March 2026	**YEAR END POSITION**			
	Budgeted Spend or (Income) £'000	**Published Forecast (Income) £'000**	**Forecast Over or (Under) spend £'000**	**ADV/FAV**
Interest & Capital Financing				
- Debt Costs	11,932	11,532	(400)	FAV
- Internal Repayment of Loan Charges	(17,372)	(17,372)	0	-
- Ex Avon Debt Costs	860	860	0	-
- Minimum Revenue Provision (MRP)	11,417	11,230	(187)	FAV
- Interest on Balances	(1,361)	(1,611)	(250)	FAV
Total	**5,476**	**4,639**	**(837)**	**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

			Current Risk Score											Trend			
	Risk Nr	Description	Likelihood					Impact					This Period	Periods Ago			Management Action
			1	2	3	4	5	1	2	3	4	5					
			L		M	H		L		M	H			1	2	3	
1	R06	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.			3						4		12	12	12	12	Liaise with Chief Finance Officer to ensure Inflation both current and projected forms part of the medium term financial planning framework.
2	R09	Legal & Regulatory Risk - Changes Risk that regulatory changes are not planned for and adversely impact the Council's budget and or ability to borrow			3					3			9	9	12	12	Read, respond and calculate the impact of Local Government accounting, investment and capital financing / borrowing consultations have on treasury management. Plan for the implementation of new regulations, conditions and accounting treatment
3	R04	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			3					3			9	9	9	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.
4	R07	Refinancing Risk The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancings, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.			3					3			9	9	9	6	When deciding on the duration of new borrowing consider existing debt maturity profile before submitting an approval to Chief Finance Officer on the new borrowing. Consult with treasury Advisor Arlingclose with regards to risks in the lending market and consider their guidance when making refinancing decisions Complete Annual PWLB certainty rate return and any other returns that provide a discounted lending rate. Maintain a relationship with at lease 2 brokers in order to ensure that the council avoids the risk of accepting terms which are not in line with prevailing market conditions.
5	R08	Legal & Regulatory Risk - Acting Outside Powers The risk that the organisation itself, or a third party with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.		2							4		8	8	8	8	Obtain independent review of the council's strategy and polices to ensure compliance with the CIPFA Code of Practice on Treasury Management Local Authorities (Capital Finance and Accounting) (England) Regulations, Local Government Act and any other regulation or guidance as specified by the Secretary of State.. Stay on top of Government and CIPFA consultations on Treasury and Capital Financing regulations.

Bath & North East Somerset Council		
MEETING:	Audit Committee	
MEETING DATE:	26th November 2025	AGENDA ITEM NUMBER
TITLE:	Internal Audit – Update Report (Planned Work 2025/26)	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: None		

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 2025/26.

1.2. The work of the Internal Audit Service is to provide independent assurance to the Council's senior officers and members that governance, risk management and controls are sufficient in ensuring delivery of the council's objectives.

2. RECOMMENDATION

2.1. The Audit Committee is asked to:

1) Note progress in delivery of the 2025/26 Annual Internal Audit Assurance Plan.
2) Note the associated fraud prevention and unplanned work that is underway.

3. THE REPORT

3.1. This report provides an update on progress in delivering the 2025/26 Annual Assurance Plan and summarises activity from 1st April to 1st November 2025.

3.2. The summary position as of November 2025 is as follows:

- Work on the plan continues to progress and as at the 1st of November approximately 68% of audit activity was complete or at reporting stage.
- There have not been any audit reports issued where it was considered that the overall systems of internal control provided 'Limited Assurance' or 'No Assurance'.
- One detailed investigation (unplanned work) has been completed.
- One piece of unplanned work has also been requested.
- Due to the additional time spent on the investigation and request for unplanned work, it is proposed that this will need to replace some of the planned audit activity.
- The importance of fraud prevention continues to be highlighted throughout the Council, including published information and guidance in association with International Fraud Awareness Week.

3.1.1. Audit Assurance Levels and Work In Progress

3.1.2. From the audits completed within the 2025/26 planned programme of work, there have not been any reports issued to date where it was considered that the systems of internal control gave either ‘No Assurance’ (Level 1) or ‘Limited Assurance’ (Level 2).

3.1.3. There are however recommendations that were made in previous audit reports which have not yet been fully implemented, including some that were considered high-risk and have now passed their completion date. These are described in full in section 3.4 of this report.

3.1.4. In addition to the formal reviews carried out as part of the 2025/26 planned programme of work, a significant amount of grant expenditure review and certification work also takes place. This generally relates to external funding received from the West of England Combined Authority, as well as some that are related to the direct award of grants from government departments.

3.1.5. Investigations and Unplanned Work

Investigation – Loss of resident’s money

3.1.6. There has been one investigation so far this year and this work has now been completed. The investigation related to a relatively small amount of cash that had gone missing from a care home, which is owned and operated by Bath and North East Somerset Council. Whilst the value of the missing money was low, it however belonged to a resident. In addition to the funds, associated paperwork had also gone missing.

3.1.7. The Internal Audit investigation was completed alongside colleagues from HR, whose work was focussed on interviewing staff at the home. The overall conclusion from this joint work was that the missing money could not be located during the investigation, nor could the exact reason for its disappearance be confirmed. This is due to the fact that several weaknesses in controls were identified at the time of the incident which meant that money could go missing without being detected. As this has been accepted as being the home’s issue, the missing funds have been reimbursed to the resident.

3.1.8. A series of findings and associated recommendations were made following the investigation which have been agreed with the Head of Service – Residential Services. This includes a recommendation that further work in this area should be completed as part of the 2026/27 Internal Audit plan. This will give Senior Management and the Audit Committee assurance that similar issues do not exist at other residential homes.

Unplanned Work

3.2.9 A request has been made via Senior Management for Internal Audit to support an unplanned piece of work on Children's Direct Payments. This work is focussed on ensuring the consistent application of eligibility criteria for Children's Direct Payments and that the associated criteria and guidance are current, clearly communicated, and readily accessible to both service users and Council staff responsible for administering the scheme. In addition, the review will evaluate the decision-making processes for the allocation of short breaks and verify the existence of a robust framework for the issuance, monitoring, and recovery of unused direct payments.

The Committee are advised that this audit will replace the previously planned review of the 'Follow-up on External Audit Annual Report recommendations', which is no longer required.

Counter Fraud

Fraud Awareness Week

3.2.10 On an annual basis in November, 'International Fraud Awareness Week' is held. This year it covered the period 16th – 22nd November. Ahead of this, the Internal Audit Service produced an article/ newsletter for The Knowledge. The newsletter discussed fraud and reminded staff of the counter-fraud arrangements at Bath and North East Somerset Council, including mandatory training requirements, common types of fraud to be aware of, and links to policies and guidance.

National Fraud Initiative

3.2.11 The Internal Audit function also carry out other anti-fraud activity, such as coordinating the National Fraud Initiative (NFI) on behalf of the Council's Section 151 Officer.

3.2.12 The National Fraud Initiative (NFI) is a national exercise that is carried out every two years using data matching/ analytics to compare different datasets across participating organisations. Data for the NFI is provided by some 1,100 organisations from across the public and private sectors and helps participants identify potentially fraudulent claims, error and overpayments. These organisations provide data from their systems as prescribed by the Cabinet Office. The data is then matched and (data matching) reports are made available for each participating organisation to review. It is then for each organisation to make the necessary enquiries, and any identified fraud is recorded within the NFI system to enable the effectiveness of the initiative to be monitored.

3.2.13 For local authorities such as Bath and North East Somerset Council, example data sets for matching purposes include (but are not limited to); Housing Benefit, Council Tax reductions, Payroll, Adult Social Care Personal Budgets and Disabled Parking (Blue Badges).

3.2.14 During the 2024/25 NFI exercise, a data match was identified suggesting a potential case of dual employment ("career polygamy") involving an individual working across both BANES and another neighbouring authority. This match was flagged to Internal Audit by the officer responsible for reviewing NFI payroll matches.

Following consultation with Internal Audit, further investigation was undertaken by B&NES HR in coordination with the other local authority. The review confirmed that there was no overlap in the individual's working hours across the two roles, and therefore no breach of employment terms.

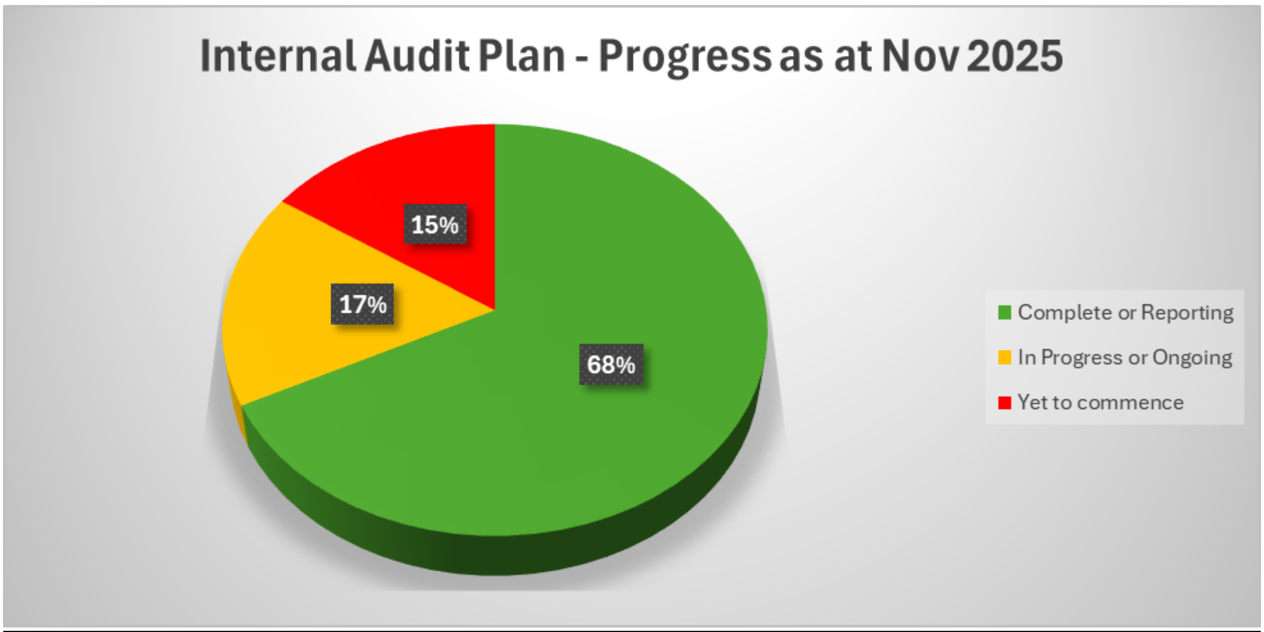
While the investigation confirmed that no fraudulent activity had occurred, the case raised potential Health & Safety and duty of care concerns due to the total number of hours worked across both positions. At the time of reporting, this matter remains under review by the HR Advisory team and the HR Business Partner.

3.2.15 New data relating to Residential Care Homes and Personal Budgets became mandatory in October 2025 and is to be extracted and updated in November 2025. Therefore, Internal Audit have been working with colleagues in Adult Social Care to prepare for this. Matches for these data sets will be released in December and the full data matching exercise will be completed in early 2026.

3.2. <u>Completion of audit plan</u>

3.2.1. There are currently 71 pieces of audit work within the plan, and the majority of this work (68%) is complete or at reporting stage. Of the total number of audits:

- 48 Audits are complete or at reporting stage,
- 12 Audits are in progress or are ongoing pieces of work,
- 11 Audits are yet to commence.



Audit Area	Status	Comments
FWD Project (Formerly ISTART)	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Bath City Centre High Street Renewal Project: Love Our High Street Bath HSR (LOHS)	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Bath Central Riverside	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Love Our High Street Local Centres	Complete	Complete - Grant Claim Reviewed, Tested and Approved
MSN market Square	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Housing and Regeneration Enabling Fund (HREF)	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Bath Creative Quarter F&D	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Milsom Quarter Project Phase 2	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Strategic Masterplanning for BANES Local Plan - Phase 1&2	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Future Bright Q3 / Q4 2024/25 claims	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Skills Connect	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Universal Business Support Service UBS	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Somer Valley Rediscovered	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Waterspace Connected	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Chew Valley Lake Recreational Trail South	Complete	Complete - Grant Claim Reviewed, Tested and Approved
CRSTS Walking and Cycling - Bath Quays Links	Complete	Complete - Grant Claim Reviewed, Tested and Approved
CRSTS Walking and Cycling - Scholars Way	Complete	Complete - Grant Claim Reviewed, Tested and Approved
North Keynsham SDL	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Bath River Line	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Pothole Grant & LATS	Complete	Complete - Grant Claim Reviewed, Tested and Approved
CRSTS maintenance challenge fund	Complete	Complete - Grant Claim Reviewed, Tested and Approved
CRSTS WECA Capacity Funding Grant	Complete	Complete - Grant Claim Reviewed, Tested and Approved
CRSTS Grants for LN's.	Complete	Complete - Grant Claim Reviewed, Tested and Approved
CRSTS WECA Mobilisation Funding (assumed capital)	Complete	Complete - Grant Claim Reviewed, Tested and Approved
CRSTS MSN & Westfield, Walking, Wheeling & Cycling Links	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Somer Valley Enterprise Zone (WECA Investment Fund)	Complete	Complete - Grant Claim Reviewed, Tested and Approved
WECA Parks Pollinator	Complete	Complete - Grant Claim Reviewed, Tested and Approved

Active Travel Fund Tranche 4: Residential Cycle Hangars	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Next Door Nature in the Somer Valley	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Bathscape Landscape City Framework	Complete	Complete - Grant Claim Reviewed, Tested and Approved
South West Net Zero Hub - Local Net Zero Capacity Development Fund - Local Capacity Grant	Complete	Complete - Grant Claim Reviewed, Tested and Approved
CRSTS Grant Somer Valley Links	Complete	Complete - Grant Claim Reviewed, Tested and Approved
CRSTS Grant Bath Walking, Wheeling & Cycling Links	Complete	Complete - Grant Claim Reviewed, Tested and Approved
CRSTS Grant Bath City centre Phase 1	Complete	Complete - Grant Claim Reviewed, Tested and Approved
CRSTS Grant Resource Funding	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Green Infrastructure Implementation	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Future Bright Q1 2025/26 claim	Complete	Complete - Grant Claim Reviewed, Tested and Approved
South West Net Zero Hub - Local Net Zero Capacity Development Fund - 25/26 & FINAL Claim	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Effective Transitions Fund	Complete	Complete - Grant Claim Reviewed, Tested and Approved
Mayoral Priority Skills Fund	Complete	Complete - Grant Claim Reviewed, Tested and Approved
RONI WEX pilot	In Progress	Audit in Progress
Capability and Ambition Funding	In Progress	Audit in Progress
Aequus Group - Financial Governance	Reporting	Work completed, reporting to client
Adaptions - Use of Disabled Facilities Grants	Complete	Complete – Briefing Paper
Fleet Management - Workshop Activity / Trading	Reporting	Work completed, reporting to client
Adult Safeguarding Improvement Plan Implementation	Reporting	Audit in Progress
CQC Regulated Services	Not Started	Audit Not Yet Commenced
Children Services - Budget Management & Monitoring	Not Started	Audit Not Yet Commenced
SEND Payment Process Consultancy	Not Started	Audit Not Yet Commenced
City Regions Sustainable Transport Settlements (CRSTS) - Delivery of Projects	Not Started	Audit Not Yet Commenced
Property - Commercial Estate (income collection and debt management)	Not Started	Audit postponed until Q4 due to introduction of new property management system
Debt Management	Not Started	Audit Not Yet Commenced
Property - Commercial Estate (Voids Management)	In Progress	Audit in Progress
Contract Management - Highways Maintenance	Not Started	Audit Not Yet Commenced
Payroll - Contingency Planning - Failure of Pay-run processing	In Progress	Audit in Progress
Pixash Waste and Highways Facility (re. Fleet Audit.)	Not Started	Audit Not Yet Commenced
Adult Direct Payments	Not Started	Audit Not Yet Commenced
'Follow-Up' on 2023/24 (2024/25 published) External Audit Annual Report weakness / recommendations	Reporting	Replaced with Children's Direct Payments - Reporting
Public Website Security	In Progress	Audit in Progress
Privileged Account Access - IT Administration	In Progress	Audit in Progress
Patch Management	Not Started	Audit Not Yet Commenced

IT - IT Change Board Operations	Not Started	Audit Not Yet Commenced
Virtual School (Statutory Responsibilities)	Complete	Complete
Early Years Capacity (Statutory Responsibilities)	In Progress	Audit in Progress
Investigation - Cleeve Court Resident's Personal Monies	Complete	Complete – Findings Described in Section 3.6.
Itrent Data Deletions / Sanitisation	Reporting	Work completed, reporting to client
Governance - Annual Governance Statement	Ongoing	2024/25 Complete
Governance - Audit Committee, Boards, Advice and Guidance	Ongoing	Ongoing Work - Completed Throughout Year
Follow-up of Previous Year Recommendations	Ongoing	Ongoing Work - Completed Throughout Year
Fraud – National Fraud Initiative	Ongoing	Ongoing Work – Matches Due for Release January 2026
Fraud – Training, Advice & Guidance	Ongoing	Ongoing Work - Completed Throughout Year

3.3. Implementation of Recommendations

3.4.1 The follow-up of recommendations is prioritised on ensuring that critical and high level recommendations have been implemented. This is because the critical and high level recommendations made will have either identified significant risks, or identified improvements that could best help the organisation to achieve its objectives.

3.4.2 Audit staff communicate continosly with auditees throughout the review process to ensure that proposed recommendations are understood, are relevant, and are achievable to the business.

3.4.3 Whilst all recommendations have been followed-up with the officer(s) responsible, there are recommendations from Internal Audit reports that have not been fully implemented by the agreed due date. Details are as follows:

3.4.4 DSG - Safety Valve - Programme Management (Mechanisms & Framework)

DSG -Safety Valve - Programme Management (Mechanisms & Framework)			
	Complete	**In Progress**	**Outstanding**
High			
Medium	1	1	
Low	1		
Opportunity			
Total	**2**	**1**	**0**

Good progress has been made on implementing the recommended audit actions that followed the 2024/25 audit of DSG - Safety Valve. In respect of the one medium-risk recommendation that has been partially implemented, this relates to the creation and use of the DSG programme dashboard. The dashboard has been created, and work is underway to understand how the savings targets in the revised Deficit Management Plan can be tracked & monitored. The completion of the work is reliant on Business Intelligence (BI) Team capacity.

3.4.5 Climate & Ecological Emergency Response - Performance Monitoring / Reporting

Climate & Ecological Emergency Response - Performance Monitoring & Reporting			
	Complete	**In Progress**	**Outstanding**
High			2
Medium			2
Low			1
Opportunity			
Total	**0**	**0**	**5**

The follow-up for the Climate & Ecological Emergency Response - Performance Monitoring & Reporting audit was due in Q2 2025/26. Following a meeting with the Climate & Environment Team Manager, it was agreed to extend the period of follow-up until the end of November 2025.

Two high-risk issues were identified, these being the absence of an overarching and consistently maintained action tracking and monitoring record for the CE Action Plan (beyond annual progress updates), and the lack of a fully developed operational framework to monitor strategic priorities and individual actions, including clear specifications for delivery, measurement, reporting, and ongoing oversight.

At the time of writing this report, the recommendations remain outstanding for the following reasons:

- Since the audit, a service restructure has taken place, resulting in the newly created Climate & Environment Team.
- In addition to the restructure, the officer originally responsible for the implementation of the key recommendations left the Council.
- A newly appointed Climate Emergency Officer will now take a lead role in progressing the audit recommendations. However, they only started within the C&E Team during August 2025.

Internal Audit will therefore work with the Climate and Emergency Team/ Climate Emergency Officer over the coming months to ensure that these recommendations are finally implemented.

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 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	*Peter Cann (peter_cann@bathnes.gov.uk)*
Background papers	*'Internal Audit Plan 2024/25' – April 2025*
Please contact the report author if you need to access this report in an alternative format	

Appendix A – Internal Audit Opinions

Assurance Rating	Opinion
Level 5 Full Assurance	The systems of internal control are **excellent** with a number of strengths evident. No weaknesses have been identified, and full assurance can be provided.
Level 4 Substantial Assurance	The systems of internal control are **good** with a number of strengths evident and substantial assurance can be provided.
Level 3 Reasonable Assurance	The systems of internal control are **satisfactory**, and reasonable assurance can be provided. However, there are a number of areas which require improvement.
Level 2 Limited Assurance	The systems of internal control are **weak,** and only limited assurance can be provided. Prompt action is necessary to improve the current situation and reduce the levels of risk exposure.
Level 1 No Assurance	The systems of internal control are **poor**, and no assurance can be provided. There are fundamental weaknesses, and urgent action is necessary to reduce high levels of risk exposure.

Bath & North East Somerset Council		
MEETING:	Audit Committee	
MEETING DATE:	26th November 2025	AGENDA ITEM NUMBER
TITLE:	Audit Committee – Draft Workplan	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 – Draft Workplan 2025/26		

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 2025/26 workplan for the Committee subject to any proposed amendments.

3 THE REPORT

3.1 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.

4 STATUTORY CONSIDERATIONS

4.1 There are no specific statutory considerations related to this report.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

5.1 This is an information report so there are no direct implications arising from this report.

6 RISK MANAGEMENT

6.1 There are no new significant risks or issues to report to the Committee as a result of this report.

7. EQUALITIES

7.1 An equalities impact assessment has been considered 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 This is an update report, no decisions or recommendations are being proposed so no other options are being considered.

10 CONSULTATION

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

Contact person	Jeff Wring, Director – Financial Services, Assurance & Pensions (S151 Officer) (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 – 2025/26

Date of meeting	**Report title**	**Requirement & Purpose (TOR)**
5th February 2025	External Audit Progress Update Treasury Management Strategy - 2025/26 Consultation Internal Audit Plan - 2025/26 Consultation Risk Management Update - DSG/Safety Valve Annual Governance Statement Update	To Note – Oversight of work of External Audit To Recommend to Council/Cabinet – Oversight of Treasury Management (Financial Governance) To Note – Oversight of work of Internal Audit To Note – Update on Significant Issues & Risk Management Arrangements To Note – Update on Significant Issues

30th April 2025	External Audit Plan for Council & Avon Pension Fund - Y/E 2024/25 Accounting Policies Update – IFRS 16 Internal Audit - Annual Report – Y/E 2024/25 Internal Audit - Annual Plan – Y/E 2025/26 Counter Fraud – Annual Report S106 Update - Risk Management Update Report Risk Management – Annual Update Report	To Approve – Oversight of work of External Audit To Review & Approve – Overview of Financial Management Governance To Note – Oversight of work of Internal Audit To Approve – Oversight of work of Internal Audit To Note – Oversight of Counter-Fraud & Corruption arrangements To Note – Oversight of Risk Management arrangements To Note – Oversight of Risk Management arrangements
24th September 2025	Annual Accounts 2024/25 – Briefing 2024/25 Audit Findings Report - For Council & Pension Fund (Approval of Accounts) Y/E 2024/25 External Audit Annual Report (Including VFM Assessment Report) Treasury Management Outturn Report – Y/E/ 2024/25 Audit Committee Annual Report & Review of Effectiveness 2024/25	To Note – Oversight of Financial Governance To Approve – Oversight of work of External Audit, Financial Management and Financial Governance To Note – Oversight of work of External Audit, Financial Management, Financial Governance & Risk Management To Note – Oversight of Treasury Management (Financial Governance) To Approve & Recommend to Council – Report back to Council on delegation of responsibility

26th November 2025	ADL Accounts Y/E 2024/25 - Accounts Update S106 Progress Update Report Treasury Management 6 month update - 2025/26 Internal Audit Update Report - 2025/26	To Note – Oversight of Council Owned Companies To Note – Overview of Risk Management Arrangements To Note – Oversight of Treasury Management (Financial Governance) To Note – Oversight of work of Internal Audit
11th February 2026	External Audit Progress Update Treasury Management Strategy - 2026/27 Consultation Internal Audit Plan - 2026/27 Consultation Annual Governance Statement Update Risk Management Update -	To Note – Oversight of work of External Audit To Recommend to Council/Cabinet – Oversight of Treasury Management (Financial Governance) To Note – Oversight of work of Internal Audit To Note – Update on Significant Issues To Note – Update on Risk Management Arrangements – New Financial Management System Presentation
13th May 2026	External Audit Plan for Council & Avon Pension Fund - Y/E 2024/25	To Approve – Oversight of work of External Audit

	Internal Audit - Annual Report – Y/E 2024/25 Internal Audit - Annual Plan – Y/E 2025/26 Counter Fraud – Annual Report Risk Management – Annual Update Report	To Note – Oversight of work of Internal Audit To Approve – Oversight of work of Internal Audit To Note – Oversight of Counter-Fraud & Corruption arrangements To Note – Oversight of Risk Management arrangements – Procurement Risk