



REPORT TO: The Shareholder
Date: 14 June 2019
Report Title: Aequus Business Plan and Remuneration Policy
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Attachments: Annex 1 – Aequus Business Plan 2019/20 to 2021/22
Annex 2 – Aequus Remuneration Policy

Note: Annex 1 – The Business Plan for 2019/20 to 2021/22 and Annex 2 - The Remuneration Policy (appendices 2, 3 and 4) are Strictly Commercially Confidential

1. Purpose of Report

- 1.1.** In accordance with the Shareholder Agreement for the Council's wholly owned property and development company, Aequus Developments Limited (ADL) and its subsidiary, Aequus Construction Limited (ACL) – this report presents the Aequus Business Plan for 2019/20 to 2021/22 and the Aequus Remuneration Policy for approval.

2. Recommendations

For the Council Leader (as the Shareholder):

2.1. To approve the Business Plan for 2019/20 to 2021/22

2.2. To approve the Remuneration Policy

3. Business Plan 2019/20 to 2021/22 – Annex 1

- 3.1.** The Aequus Business Plan was approved by the Aequus Board on 6th June 2019 and sets out the anticipated activities of ADL and ACL through to 31st March 2022 with a core focus on the specific objectives for 2019/20.
- 3.2.** The Business Plan is a key commercial document required under the Shareholder Agreement to be approved by the Shareholder. It provides the

company with ability to progress with delivery to achieve the Shareholder objectives in line with the Business Plan.

- 3.3. This Business Plan has been prepared in line with the existing Company Objectives and it is recognised that the recent change in the Administration at the Council may give rise to some changes in these objectives by the new Shareholder. As such it may be appropriate for the Business Plan to be reviewed in 6 months-time to assess any such changes and how they are may be incorporated.
- 3.4. Key elements of the Business Plan are set out below.
- 3.5. **Aims and Objectives** – includes the company values which have been developed from those of the Council to support the objectives of the Shareholder . The company objectives have been separated between short term and medium term aims as these will form a key element of the annual performance review.
- 3.6. **Company Achievements** – reflects the position as at 31st March 2019 including a summary from the financial statements. The Business Plan shows that Aequus has already delivered 33 private rented sector units, has 104 homes under construction, generated over £4.7M in capital returns and over £730K in revenue payments to the Council. It is currently one of the most advanced and successful local authority housing development companies so far established.
- 3.7. **Current Developments, Pipeline & Budgets** – provides an update on the current developments in progress together with a view on the future pipeline of sites, particularly those from the Shareholder. This development pipeline is key to the ongoing sustainability of the company. The budgets provide a summary of the current forecast for both ADL and ACL for approved developments, resourcing and commitments together with the achievement of required financial returns to the Council (Shareholder) – a further £2.73M of revenue over the plan period.
- 3.8. **Key Dependencies** – in particular the reliance on the transfer of sites and properties from the Shareholder in order to sustain the development of the company, together with planning, political and funding requirements.
- 3.9. **Governance** – provides a summary of the company governance arrangements, noting these are subject to further review, together with the staffing and professional services resourcing.
- 3.10. In accordance with the Shareholder Agreement, the Shareholder is asked to approve the Aequus Business Plan for 2019-20 to 2021-22.

4. The Remuneration Policy – Annex 2

- 4.1. The Remuneration Policy sets out the basis of allowances, pay and benefits for employees and Board Members of ADL (as employer). The Policy has been drafted to recognise the requirements of the Shareholder, whilst establishing a remuneration approach aligned to the housing development sector in which the company operates.
- 4.2. During the first three years of operation, ADL has primarily operated with staff seconded from the Council (at ADL's cost) supplemented with agency and contractors as required. Going forwards it is anticipated that, subject to a future land supply pipeline being agreed, the relevant council staff will transfer under a TUPE arrangement to ADL. The Policy therefore provides for both protection of transferred staff terms and conditions, together with suitable industry standard terms and conditions for new direct appointments.
- 4.3. In arriving at this recommended Policy, the ADL Remuneration Committee has taken independent advice from a leading market recruitment provider (HAYS) on relevant industry standard terms and conditions. In considering the Policy, the Remuneration Committee also had regard to the following points:
- 4.4. **Key Remuneration Principles set by the Council** – the eight key principles set by the Council have been incorporated into the Policy which is consistent with these principles throughout.
- 4.5. **The 7 principles of public life** - are embedded within the Policy and noting that HR policies will initially pass across from the Council as part of the planned TUPE transfer process. These will subsequently be reviewed to simplify and streamline to ensure they are appropriate for the company going forwards. All such policies will be presented to the ADL Remuneration Committee for consideration and approval.
- 4.6. **The Confidential Appendices 2 thru 4** - reflect the terms and conditions for transferring council staff, together with those for new directly employed staff in line with the HAYS benchmarking review (March 2019 prices). The terms for new staff in particular reflect a more statutory/industry standard level of provision for things like sick pay, redundancy pay and a defined contribution pension provision rather than LGPS. This is offset to some degree by a higher overall salary provision.
- 4.7. The Shareholder is asked to approve the Remuneration Policy in accordance with the requirements of the Shareholder Agreement.

5. Financial and Legal Implications

- 5.1. The Business Plan and Remuneration Policy are key documents to support the activities and operation of the company. They are a core requirement of the Shareholder Agreement for approval by the Shareholder in accordance with the governance arrangements set out in Council's approved Local Authority Company Protocol.
- 5.2. The Business Plan includes a summary of the financial statements for the 2018/19 financial year, the 2019/20 budget forecasts for ADL and ACL and projected returns to the Council over the plan period.
- 5.3. The financial provisions for pay and benefits arising from the Remuneration Policy are reflected in the Business Plan. As far as practicable the comparative financial provision for TUPE staff and new employees has been set on an equitable, cost neutral, basis.
- 5.4. The agreement of the Remuneration Policy is a pre-requisite for ADL to directly employ new staff following on from the previous Shareholder Decision to allow ADL to employ staff subject to this Policy being approved. The Policy will also facilitate the TUPE transfer of existing staff.

6. Risk Management

- 6.1. The key dependencies are set out in the Business Plan and the company maintains both corporate and site-specific risk registers.
- 6.2. There is a specific risk related to the need to ensure a pipeline of sites from the Council/Shareholder is in place to support the sustainability of the company and the related transfer of Council staff. This is the subject of a specific Transfer Agreement currently being developed and agreed.

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