

Bath & North East Somerset Council

MEETING:	Corporate Policy Development & Scrutiny Panel
MEETING:	11th Jan 2021
TITLE:	COUNCIL COMPANY ANNUAL ACCOUNTS
WARD:	All
AN OPEN PUBLIC ITEM	
List of attachments to this report: Appendix 1 - ADL annual report and accounts 2019/20 Appendix 2 - ACL annual report and accounts 2019/20	

1 THE ISSUE

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

2 RECOMMENDATION

The Panel is asked to;

- 2.1 Note the ADL 2019/20 year end audited accounts (Appendix 1)
2.2 Note the ACL 2019/20 year end audited accounts (Appendix 2)

3 THE REPORT

- 3.1 The Council wholly owns the property company, ADL and its subsidiary ACL, to develop, deliver, own and manage property as well as delivering new development on a case by case basis. Both ADL and ACL are companies limited by shares.
- 3.2 As shareholder of ADL (and ultimately ACL), the Council is asked to note the accounts of these companies.
- 3.3 The draft ADL and ACL Accounts were approved by the company Board on 11th June 2020. They have been subject to independent audit by the appointed auditors, Monahans, and their report is included in both sets of accounts. The Audited Accounts were then approved by the company AGM (with the Leader as Shareholder) on 13th October 2020.

ADL Statutory Accounts 2019/20

- 3.4 The ADL Gross Profit before taxation for the year is £259,830. When you exclude the impact of the annual revaluation of the property portfolio and unrealised pension costs as a result of the international accounting standards the gross profit is £24,080. It should be noted that revaluations of the property portfolio are for accounting purposes only and do not create distributable profits. The assets are returned at nil cost to the Council at the end of their 50-year lease ensuring all capital appreciation is retained by the Council.
- 3.5 A total of £380k in capital payments were made to B&NES during the year for 3 completed property transfers. A further 4 transfers are under way with refurbishment work now completed. A total of £89K in revenue payments was also made for commercial interest on loan payments.
- 3.6 The year also saw the completion of the Transfer Agreement in Feb 2020, the TUPE transfer of staff from the Council to the company and appointment of two new independent non-executive directors; Michelle Hyde and Alex Wright.
- 3.7 Full details of the company performance for the year are covered in the Directors Report on pages 2 to 5 of the ADL accounts.

ACL Statutory Accounts 2019/20

- 3.8 The ACL Gross Profit before taxation for the year is just over £1m with total Sales Income of £4.7m from apartment sales completed as at 31 March 2020. Turnover reached over £5.5m including support to develop a planning application for a site for South Gloucestershire Council.
- 3.9 The profits were generated from the completion of 21 sales from a total of 64 reservations in place as at 31st March 2020, in addition to a relevant margin on all other activities.
- 3.10 Total revenue returns of £607K were provided to the Council predominantly from commercial interest payments on development loans.
- 3.11 For the second successive year there were no new development sites transferred from the B&NES to ACL, however in the Transfer Agreement the Council has committed to “regularly review its land and property holdings for Development Site opportunities to enable sufficient Development Sites to be transferred to the Company to create a viable commercial pipeline” enabling a Going Concern opinion to be given by the Directors. This pipeline remains key to maintaining construction activity and viability of the company.
- 3.12 Full Details of the company performance for the year are covered in the Directors Report on pages 2 and 3 of the ACL accounts.

4 STATUTORY CONSIDERATIONS

- 4.1 ADL and ACL are governed in accordance the Council Approved LA Company Protocol including Shareholder Agreement and Reserved Matters.

4.2 These accounts for each of the Companies are provided to the Council for consideration in accordance with the Local Authorities (Companies) Order 1995.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

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

6 RISK MANAGEMENT

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

6.2 Section 3.11 of the report has highlighted the requirement for new development sites which will maintain the financial viability of the company and it's Going Concern audit opinion. The business pipeline risk has been reported to the Council under the Council / Company governance arrangements and is under review.

7 CLIMATE CHANGE

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

8 OTHER OPTIONS CONSIDERED

8.1 None

9 CONSULTATION

9.1 The ADL and ACL accounts have been drawn up with support from external experts and the Monitoring and S151 Officers have had the opportunity to review and input into this report.

9.2 The accounts have been subject to rigorous review by the individual company Boards, independent audit, and the Annual general Meeting with the Shareholder.

Contact person	Andy Rothery, Director of Finance – Tel: 01225 477103
Background papers	None
Please contact the report author if you need to access this report in an alternative format	