

Bath & North East Somerset Council

MEETING/ DECISION MAKER:	Cllr Kevin Guy, Leader of the Council	
MEETING/ DECISION DATE:	On or after 22 October 2022	EXECUTIVE FORWARD PLAN REFERENCE:
		E 3391
TITLE:	AGHL Interim Dividend Report	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report: None		

1 THE ISSUE

- 1.1 This report seeks a formal shareholder decision following approval of the Aequus Group Holding Limited (AGHL) Board to the proposed interim dividend payable to the Shareholder in order to meet the total Council Returns target set of £1m for each of the financial years 2020/21 and 2021/22. A formal Shareholder Decision is required in accordance with the Shareholder Agreement, as Reserved Matter 32 for the actual dividend payment to be made from AGHL to the Council (Shareholder).

2 RECOMMENDATION

The Leader of the Council is asked to approve:

- 2.1 The proposed interim dividends of £460K for 2020/21 and £709k for 2021/22 to the shareholder, in accordance with the requirements of the Shareholder Agreement, reserved matters.

3 THE REPORT

- 3.1 The Objectives for 2020/21 set out in the Aequus Business Plan approved at the AGM in October 2020 provide for a total financial return from Aequus Group to the Council of £1M per each financial year.
- 3.2 Following the restructure of the Aequus Group, dividends flow to the Shareholder via Aequus Group Holdings Limited.
- 3.3 In accordance with section 10.3 of the Shareholder Agreement, the Council is required to approve any dividend payment. This approval was provided in the approval of the Council's Medium Term Financial Plan as part of its Budget setting

process which, included provision for the receipt of the total financial return set out in Para 5.3 and 4.4 below.

4 STATUTORY CONSIDERATIONS

4.1 See paragraph 5.5 below

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

5.1 Qualifying returns to the Council comprise of commercial interest paid on Council Loans with the balance on the target met through dividend payments.

5.2 Actual returns for 2020/21 show a total of £540K has been paid by ACL and ADL in commercial interest on development and working capital loans leaving a balance of £460K required to be met via the annual profit dividend to be received from ACL and paid onto the Shareholder as shown in the table below.

<u>Return to the Council</u>	Actual 2020/21 £'000
ADL - Commercial Interest	124
ACL - Commercial Interest	416
Dividend payable via AGHL	460
Total Return to the Council	1,000

5.3 Actual returns for 2021/22 show a total of £291K has been paid by ACL and ADL in commercial interest on development and working capital loans leaving a balance of £709K required to be met via the annual profit dividend to be received from ACL and paid onto the Shareholder as shown in the table below.

<u>Return to the Council</u>	Actual 2021/22 £'000
ADL - Commercial Interest	81
ACL - Commercial Interest	210
Dividend payable via AGHL	709
Total Return to the Council	1,000

5.4 AGHL will have sufficient distributable reserves available to fund the proposed interim dividends to the Shareholder of £460K for 2020/21 and £709k for 2021/22 as shown in the table below. Following agreement of the AGHL Board the dividend is paid to the Shareholder. Note, the actuals for 20/21 and 21/22 are for illustration only as these pre-date the formation of the new company structure which now facilitates the payment of these dividends.

AGHL Interim Dividend Forecast from distributable reserves

	Actual	Actual	Forecast	Estimate	Estimate
	20/21	21/22	22/23	23/24	24/25
	£'s	£'s	£'s	£'s	£'s
Distributable Profit after tax (actual)			1,169,500		
Distributable Profit after tax (forecast)	0	0	838,000	880,000	880,000
Balance B/F	0	0	2,007,500	0	0
Interim Dividend 20/21 & 21/22 (actual)			-1,169,000		
Interim Dividend 22/23 (forecast)	-460,000	-709,000	-838,000	-880,000	-880,000
Balance C/F	-460,000	-709,000	500	0	0

5.5 Financial and Legal Implications –

In order to pay a dividend, the Company and Directors have demonstrated that it has sufficient distributable reserves to support the payment.

The payment, when made, will be supported by the issuance of a formal dividend voucher from AGHL to B&NES Council (Shareholder).

The proposed dividend is in accordance with the approved AGHL Business Plans covering the periods 20/21 and 21/22. and in accordance with the Companies Act 2006 dividends are accounted for at the point that they are formally approved for payment in this case 22/23 regardless of the year to which they relate.

6 RISK MANAGEMENT

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

7 CLIMATE CHANGE

Dividends of AGHL form a revenue income supporting wider Council priorities as part of the medium-term financial plan approved within the budget 2022-23.

8 OTHER OPTIONS CONSIDERED

- 8.1 No other options available.

9 CONSULTATION

- 9.1 The Council's Shareholder Group has recommended that the Shareholder Representative approve the dividend payments. The S151/Director of Regeneration & Housing & Monitoring officer have also been consulted and approved the contents of this report.

Contact person	Simon Martin – Director of Regeneration and Housing
Background papers	None
Please contact the report author if you need to access this report in an alternative format	