

Bath & North East Somerset Council

Corporate Audit Committee

27th November 2024

AGENDA
ITEM
NUMBER

Council Company Aequus (ADL, ACL & AGHL) Annual Accounts 2023/24

ALL

AN OPEN PUBLIC ITEM

List of attachments to this report:

Appendix 1 - ADL Signed Annual Accounts 2023/24

Appendix 2 - ACL Signed Annual Accounts 2023/24

Appendix 3 – AGHL Signed Annual Accounts 2023/24

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 2023/24.

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 2023/24 (see appendix 1)

3.1 In the 2023/24 fiscal year, our total turnover was £1,563,794. This includes service income of £1,005,206, primarily from ADL staff providing management and project management services to ACL, together with rental income of £558,588. Our profit before accounting adjustments amounted to £67,284 with an **unrealised** audit adjustment in respect of the revaluation of the ADL investment property portfolio amounting to (£285,295) then charged resulting in an unrealised loss of (£218,011).

3.2 ADL assets value increased by £2.2m (£2.8m LAHF scheme offset by (£260,201) for the disposal of one of our apartments at Riverside View and the loss on the investment property revaluation of (£285,295).

3.3 One of the seven Riverside View apartments ear marked to be sold to the market completed during this financial year and the proceeds were used to repay the outstanding loan and an additional loan balance of £40k thus to ensure the viability of the remaining 5 apartments.

- 3.4 There were no new properties transferred from the Council to ADL during the financial year.
- 3.5 ADL has supported B&NES Council with the delivery of the Local Housing Fund programme to provide 20 homes for families with housing needs who have arrived in the UK via Ukrainian, Afghan resettlement and relocation schemes. The 20 homes are purchased from the open market. As at the 31st March we have completed on the purchase of 14 properties and 6 are now occupied with families. Our rental income levels are capped at the B&NES set Local Housing Allowance Rate. As the properties purchased are to support B&NES Council social need the property asset valued is capitalised at the purchase price and amortised over 100 years.
- 3.6 ADL Property portfolio as at the end of March 64 properties.
- 3.7 Council revenue returns from ADL for the year totalled £229k from commercial interest payments on asset backed loans.
- 3.8 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 information pack).

ACL Statutory Accounts 2023/24 (see appendix 2)

- 3.9 In the financial year 2023/24, ACL achieved a total turnover of £4,383,919. This includes the handover of seven affordable units' and one privately sold unit at Malmaims Drive, Frenchay, South Glos of £1,928,443 and Development Management Services of £2,455,476 resulting in a gross profit of £408,406 and a net profit after overheads and before taxation of £8,961. We have been very prudent in the recognition of profits from the Malmaims Drive development in this accounting period, going forwards We will be recognising profit on a more commercial approach for future projects. This prudent approach will see significant benefit in the 2024/25 financial year.
- 3.10 B&NES Council Revenue returns from ACL for the year of £771k will be paid to the Council as dividends via AGHL following approval by the Shareholder. Dividend payment for financial years 2022/23 of £848k was paid during this financial year.
- 3.11 B&NES Council Capital financial returns include an additional land value payment for 117 Newbridge Hill of £63k due to savings achieved by the careful management of the development budget.
- 3.12 Further details of the company performance for the year are covered in the Directors Report on pages 4 to 6 of the ACL accounts.

AGHL Statutory Accounts 2023/24 (see appendix 3)

- 3.13 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 ACL during the financial year will be transferred by way of a dividend payable to B&NES as Shareholder.
- 3.14 The AGHL interim dividend of £771k based on the financial outturn for 2023/24 will be paid to B&NES Council in Nov 24 following approval by the Shareholder to

meet the total revenue returns target of £1m per year. Dividend payment for financial years 2022/23 of £848k was paid to the Shareholder during this financial year.

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.

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Background papers	
Please contact the report author if you need to access this report in an alternative format	