



Aequus Group

Strategic Business Plan

2024-2030



Contents

I. Executive Summary and Introduction

- Foreword from the Chair
- Introduction **3**
- Our Vision and Mission
- Strategic Aims

II. Business Model

- Product and Services
- Alignment with our Local Authority Partners
- Objectives
- Culture **6**
- Resource Management
- Social Value
- Governance
- Risk Management

III. Market and Political Analysis

- National Context **19**
- Local Context
- Sales and Marketing Approach

IV. Company Analysis

- SWOT Analysis **29**
- Pipeline Assessment

V. Financial Forecast

- Financial Overview
- Key Dependencies
- Aequus Construction Ltd and Aequus
Developments Ltd **36**
- Overhead
- Strategic Financial Plan
- Cash Management and Capital Requirements
- Shareholder Returns



Executive Summary and Introduction

Foreword from the Chair

Introduction

Our Vision and Mission

Strategic Aims

[Explore More](#)



Foreword from the Chair

I am pleased to introduce this new Strategic Business Plan for the Aequus Group of companies, setting out how we will support delivery of the Shareholders priorities, delivering the right homes in the right places whilst providing financial returns to help protect and improve frontline services.

Since taking on the role of Chair in May 2024, I have focused on building on the success of Aequus to ensure the business is positioned to maximise our potential to deliver exemplar new homes for local communities.

In doing this we are recognising the specific strengths and opportunities of the business in particular:

- Delivering homes that meet National Space Standards
- Delivering and increasing where possible, compliance levels of affordable housing
- Leading the way in energy efficiency by building to EPC A standards
- Enabling strong public sector partnerships through our Teckal Status.
- Supporting the development of vibrant communities, meeting local needs
- Delivering profits back to our partners to support frontline services

As a housing developer, land supply is crucial to enable the delivery of our exemplar new homes, and we recognise that we need to work with all public sector partners to identify a pipeline of sites to support the aspirations for the business to grow. I have therefore prioritised strengthening our existing public sector partnerships whilst engaging with a range of potential new partners including housing associations, health, Homes England, The West of England Combined Authority and other neighbouring local authorities.

Aequus has already successfully delivered a range of award-winning housing projects providing market and affordable homes for our local communities over the past six years. Throughout this period, the company has consistently achieved profitability, delivering financial returns to its Shareholder and partners. Alongside these achievements, Aequus has also generated a significant range of social value benefits, which are outlined in this business plan. In the plan we detail how we will measure and enhance these contributions to align with the Shareholder's priorities.

Our new Vision, Mission and Objectives seek to clarify the role of the company and provide for the increasing Shareholder aspirations over the short, medium and long term. The new objectives will provide a challenge to the company and will be achieved with the support of the Shareholder bringing forward sufficient development sites, together with our continued focus on existing and new public sector partnerships.

In developing this strategic plan, the board and the management team are setting out how Aequus will make a real contribution to meet the housing needs in our area and have looked to stretch the company's resources so that we maximise our opportunities.



Sally Higham

Chair, Aequus Group



Introduction

This business plan covers the 3 financial years from 2024/25 to 2026/27, in addition, key areas have been extended to 2029/2030 in order to provide visibility on the organisations ambition, growth potential and future financial returns to the shareholder.

The Aequus Group provides a range of diverse housing solutions working in partnership with our local authority partners and going forwards, focusing on our potential to support wider public sector partners to deliver innovative housing solutions for their surplus land.

Aequus is an exemplar housing developer, delivering high quality housing, to meet national space standards and achieve very high level of energy efficiency. We recognise the importance of delivering the right homes in the right place to ensure the homes we build help to develop vibrant communities.

In this business plan we set out how our pipeline of projects will be delivered over the next three to five years and the financial and wider social value benefits these housing developments will bring. We will need the support of our public sector partners to deliver these ambitious plans, particularly our Shareholder and council partners.

If we are successful, we can deliver in excess of 1,000 quality, new homes and provide sustainable financial returns that will help our partners deliver valuable frontline services to our communities.

Executive Summary

Vision

To create high quality homes that support vibrant communities and improve people's lives.

Mission

To work collaboratively with our council and wider public sector partners to build high quality, energy efficient homes that offer a mix of social, affordable and open market sale housing that leaves a lasting positive impact and helps fund frontline services.

Strategic Aims

As a B&NES Council owned Company, our strategic aims and objectives are designed to align and support the B&NES Council in delivery of their Corporate Strategy 2023-2027.

- To support our Shareholder's one overriding purpose "to improve people's lives".
- To increase the housing stock for both the tenants and home-owner's market to meet the local need.
- To support our local authority partners to tackle their climate and ecological emergency policies.
- To operate in a creative and innovative manner that works commercially.
- Demonstrate best practice for property development.
- To assist B&NES Council in its delivery of social housing supporting its Corporate Strategy priorities for affordable housing, accessible to local jobs and services.
- To act as a responsible Landlord to our tenants, ensuring our properties are maintained to a good standard.

This business plan demonstrates how we are seeking to deliver against the various strategic aims and objectives whilst, understanding the delicate balance required to achieve the desired outcomes at multiple levels.

On each project we will explore all options to ensure we reach the optimum position considering the social and economic benefits to the communities in which we are working and for our partners.



Business Model

Product and Services

Alignment with our Local Authority Partners

Objectives

Culture

Resource Management

Social Value

Governance

Risk Management

[Explore More](#)



Products and Services

Aequus Construction Limited (ACL)

Through ACL we will provide development management services to our Local Authority and public sector partners that consist of:

- Early engagement and asset review
- Site viability and option appraisal
- Design management and planning progression
- Cost and value engineering control
- Business case preparation
- Construction phase delivery
- Sales and marketing (on mixed tenure schemes)
- Negotiate with affordable housing providers if not our Local Authority partner

Projects can include conversion of existing buildings or new build construction. We remain flexible on the size and scale of the projects we will undertake but will generally range from 10 units to 300 units.

As a Teckal compliant company, controlled by our Shareholder, we are able to work flexibly and quickly with public sector partners to bring forward the range of planning and development services we provide.



Geographical Coverage

Over the last few years, we have forged partnerships with North Somerset and South Gloucestershire councils. During this business plan period we will look to expand our service offering to neighbouring council areas and public sector partners such as the two Integrated Care Boards of Bath and Northeast Somerset, Swindon and Wiltshire ICB and Bristol, North Somerset and South Gloucestershire ICB.



Mixed Tenure Development

Where it has been proven through our option appraisal that the scheme will benefit from including open market sales we will, on top of managing the development and construction activity carry out the sales and marketing services.

Under this model our partner will receive a land payment, and the land is transferred to ACL which enables onward sale of completed homes to either the affordable provider or private purchaser. Under the terms of the agreement with our partner we will commit to a profit share and overage agreement.

100% Affordable Schemes

For schemes that are 100% affordable our service is very similar but excludes the open market sales and marketing stage.

Our model allows for our services to be commissioned up to the point where the project obtains a planning consent and then we contract on a sales and overage provision for the land transfer.

Land acquisition and development

Our primary focus for land acquisition and development will be through our public sector partners across the area we operate. This enables us to focus on both the financial and social value outcomes we deliver rather than competing in the market place for land where the land value alone is the determining factor.

We will focus on delivering the schemes which meet the housing needs and outcomes set out by our partners, ensuring land is transferred at best value compliant levels supported by an independent valuation.

Development will commence immediately once a contractor is appointed, and all planning pre-commencement conditions have been met. We will not land bank sites leaving them undeveloped with housing needs remaining unmet.

Whilst we will explore opportunities for market site acquisitions, these will be focused on landowners that have a real interest in the housing and social values outcomes we can deliver to help build thriving and sustainable local communities.

Contracting Partnerships

As a local authority-controlled company, we are fully compliant with public procurement rules and regulations. Working to maximise the opportunities this can present, we are developing a range of contracting partnerships to deliver our developments to meet our specific requirements whilst achieving value for money.

Our contracting partners are selected to deliver based on the range of housing outcomes we are delivering – these range from small renovations of listed buildings, large and small brownfield sites, to greenfield developments. We also recognise the specific delivery strengths of the contractors we work with be that for conversion of existing buildings to new build housing and apartments.

Further details of our approach to procurement and contracting are set out in the resources section of this business plan.

Residential Landlord

Aequus Developments Ltd (ADL)

ADL is a property asset investment and rental business. It provides rental homes for the community in partnership with B&NES Council. The ADL property portfolio consists of 26 private rental properties and 20 properties, including an HMO, purchased through the Local Authority Housing Fund (LAHF) to provide homes for refugees. Once the scheme has come to an end, the properties will be used for affordable housing. Looking forward, ADL will look to take opportunities as they arise to grow the rental property portfolio.

Registered Provider

Aequus is not currently a Registered Provider for the purposes of holding and operating affordable housing. Subject to the future requirements and objectives of the Shareholder, we will explore the opportunities that this may provide alongside the work we will be doing on future changes to the company governance structure.

There are potentially many benefits to Aequus becoming a Registered Service Provider, which include:

- Developing public and partner trust in the services the company provide
- Demonstrating the company's commitment to meet national standards for quality and compliance
- Providing opportunities for growth and development
- Access to a range of grant and investor funding streams
- Potential to streamline and improve efficiency of financial and operational activities
- Providing opportunities to influence within the sector
- Oversight and support from the regulator

Set against this will a range of challenges to ensure this would be the right direction for the company. We will need to understand how this fits with the future plans of B&NES Homes, which is already a Registered Provider and, how the Shareholder will hold and operate its general needs affordable housing in the future. This option will only be progressed with the support of the Shareholder.

Any proposals for Aequus to become a Registered Provider would be subject to formal Shareholder decision making and approval and, a clear business case demonstrating that the financial, governance and skills/resourcing requirements can be met.



Alignment with our Local Authority Partners

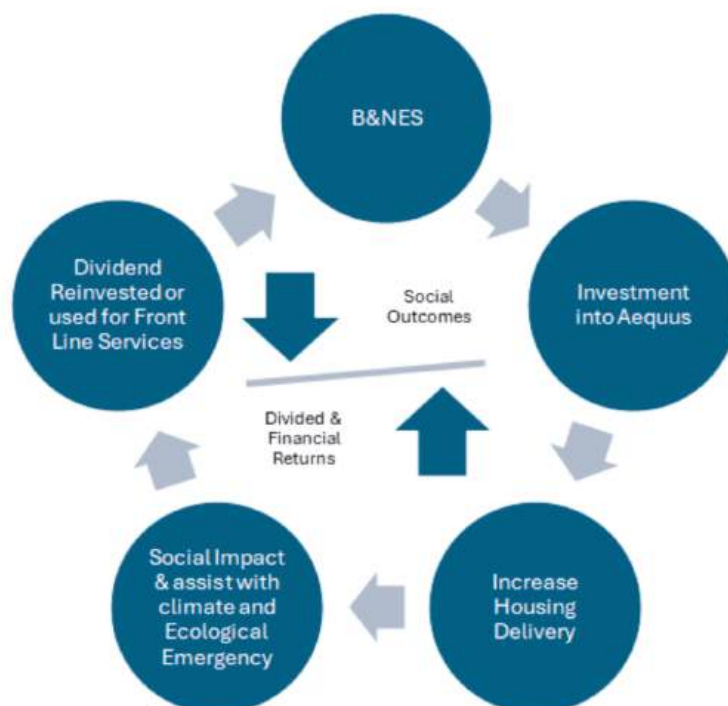
We have developed our key objectives to align with those of the Shareholder:

| | |
|---------------------------|---|
| Overriding Purpose to: | ‘Improve Peoples Live’ |
| Core Policies of: | ‘Tackling the climate and ecological emergencies’ |
| Principal commitments to: | ‘Prepare for the future’, deliver for local residents’ and to ‘focus on prevention’ |

Our purpose is to support our Local Authority partners in the delivery of their aspirations and this is reflected in our key objectives.

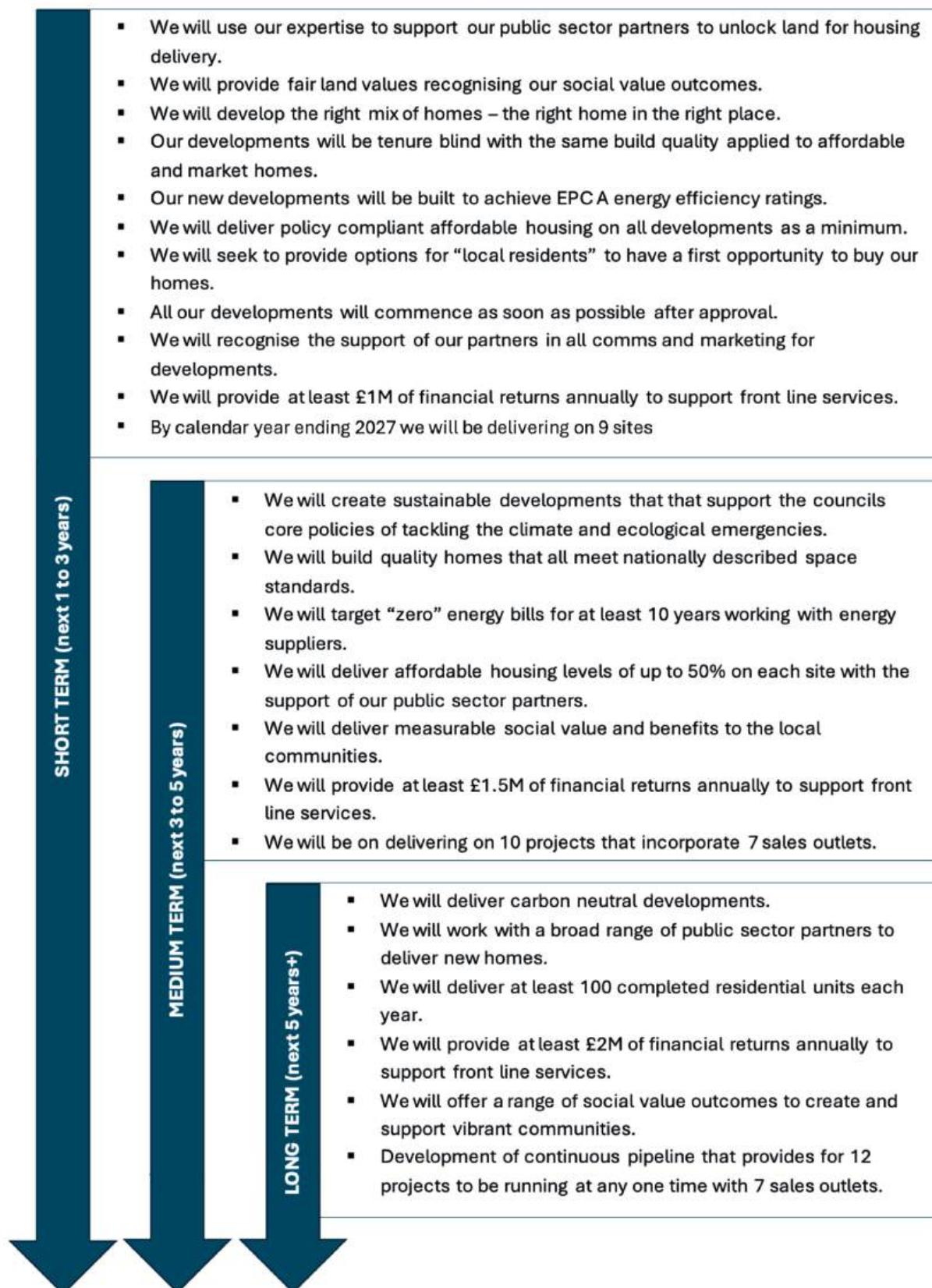
The Council’s investment in Aequus enables us to develop our pipeline, add value and to deliver social and financial returns along with increasing the supply of much needed affordable housing in the region

The social outcomes and financial returns are a balance and dependent upon the blend of projects being undertaken and the investment made.



Key Objectives

“What Good Looks Like”



These objectives, particularly relating to public sector partners or market acquired sites, may be varied on a case by case basis to deliver to specific briefs provided by partners or alternatively to deliver in accordance with an extant planning approval.

Culture and Values

The organisation has a positive culture that will need to be nurtured as the business develops and grows. Culture is heavily influenced by the leadership team, and we must all ensure we live and breathe the desired behaviours so that these are repeated by our colleagues.

To align our business with our shareholder and partners it is important that not only our aims and objectives support each other but also our culture and behaviours.

| | |
|---------------------------|---|
| Leadership | <ul style="list-style-type: none"> • Reflect the behaviours that are expected by others |
| Collaborative | <ul style="list-style-type: none"> • Work openly with our shareholder, wider stakeholders and supply chain partners |
| Respectful | <ul style="list-style-type: none"> • Be considerate to others needs, one team approach • Understand and support our partners objectives |
| Challenge | <ul style="list-style-type: none"> • Setting clear attainable objectives with defined roles • Is there another way that brings benefits |
| Supportive | <ul style="list-style-type: none"> • Provide clear guidance and resource • Appreciate the work done by others and recognise it |
| Agile and Flexible | <ul style="list-style-type: none"> • Creative and innovative when looking at opportunities |
| Transparent | <ul style="list-style-type: none"> • To be open and honest in everything we do • Share concerns / issues early so they can be addressed |
| Trust | <ul style="list-style-type: none"> • Avoid the 'blame culture', this will support behaviour that undermine our culture |
| Accountability | <ul style="list-style-type: none"> • Take ownership • Compliance with process and governance |



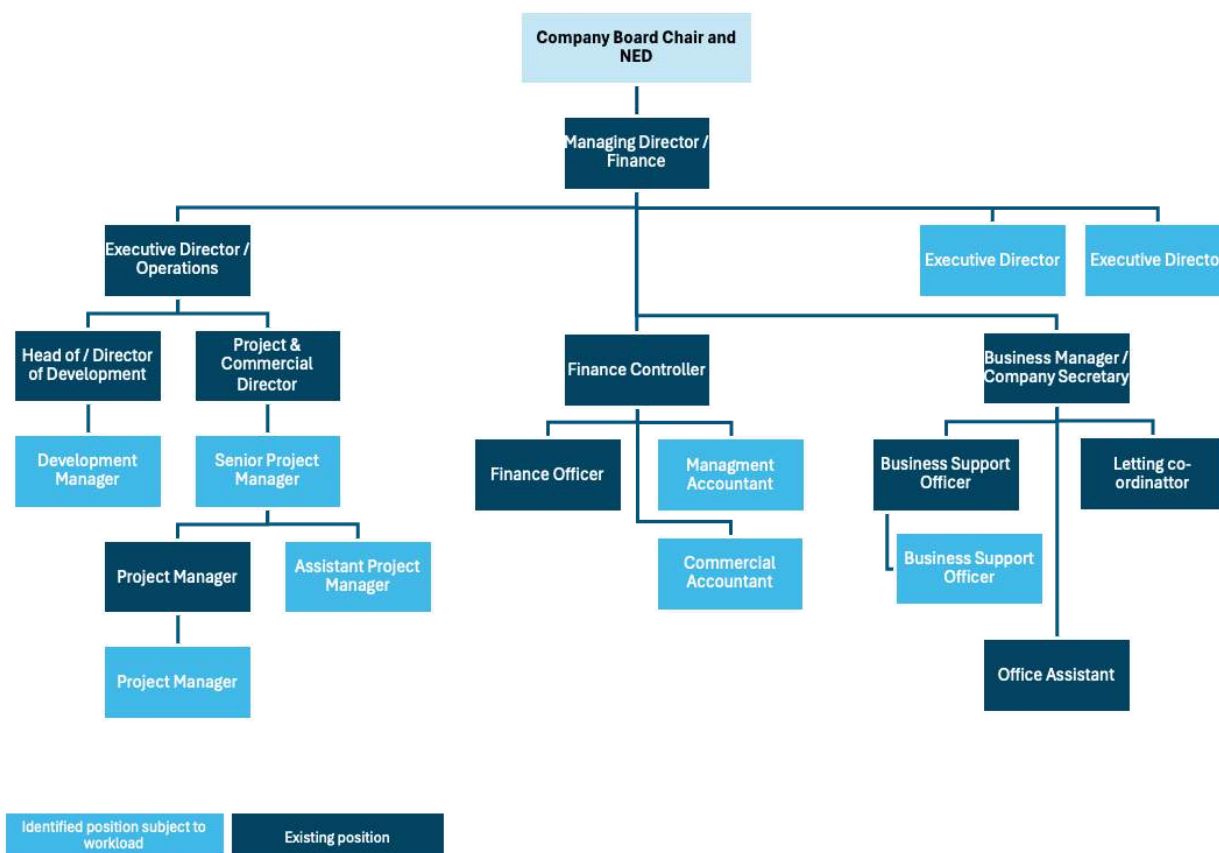
Resource Management

Aequus has a relatively lean management structure with its inhouse resource focused on key requirements of project management, finance and corporate governance. We operate an outsource strategy to deliver other services which enable us to have a great deal of flexibility and manage peaks in workload effectively.

As part of business planning forecast, we have reviewed the resource required to effectively manage and grow the business and these are highlighted in the structure chart below.

The two Executive Director positions have been identified due to the increase in activity in years beyond this business planning period. The roles and their responsibilities will be defined as the business develops but are likely to cover sales, finance and commercial activities.

Other roles identified are very much activity dependant and will enable us to adequately manage the business from a project management, business and finance perspective. Project Management resource will be allocated to the scheme while finance will be an operational overhead.



Social Value

As a responsible business, social value forms a key part of everything we do. Our core business, providing high quality, energy efficient market and affordable homes to meet local needs, creates intrinsic social value and we want to do more to capture, report and enhance these important benefits.

To do this, we are keen to ensure that we work in partnership with others to maximise impact and leverage the social value outcomes we can deliver both directly and through our partners and supply chains.

Social value relates specifically to the wider non-financial impacts of programmes, organisations and projects, especially on the wellbeing of individuals and communities and of the environment.

In the simplest terms, we are looking to deliver greater improvement to the economy, society and the environment in neighbourhoods where we deliver new homes and, where we own and manage rental homes. We will do this in a way that supports the priorities of our Shareholder and the overriding purpose to **improve people's lives**.

Our Social Value Commitments

Preparing for the Future

- Providing the right homes in the right places
- Building quality homes with 10-year warranties
- Delivering energy efficient, low carbon homes.
- Enhancing ecology and Biodiversity Net Gain.

Delivering for Local Residents

- Providing sustainable financial returns to support frontline services.
- Homes to meet local need.
- Providing opportunities for local residents to buy first.
- Not land banking to ensure homes are delivered at pace
- Supporting local businesses through our Think Local supplier approach
- Developing local skills with apprenticeship and employment opportunities

Focusing on Prevention

- Delivering a diverse range and mix of affordable homes
- Ensuring homes are tenure blind to build diverse communities
- Meeting national space standards
- Tackling energy poverty with low energy homes

Measurement and Reporting

We will measure and report the social value that is generated through our activities, and this will include the tracking of social value created by Aequus, including commitments made by our suppliers, measuring the difference we are making to our neighbourhoods across the agreed commitments.

Due to the complexity of capturing social value, there is not one methodology which will demonstrate the range of outcomes delivered, so we will use a combination of tools such as:

- Using a web-based portal for calculating a social return on investment to determine a financial impact
- Providing detailed case studies – examples already include Riverside View – Keynsham, 117 Newbridge Hill – Bath and, Manor Gardens – Frenchay.
- Quantifiable outputs e.g. number of affordable homes delivered, energy performance of home achieved, reductions in energy bills, level of carbon emissions saved etc.

Key outcomes will be shared through our regular performance reporting to the Shareholder and promoted on an ongoing basis through our existing communication channels.

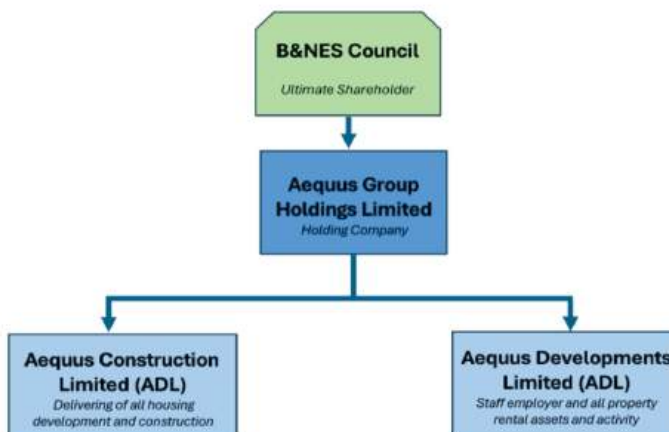


Governance

The governance of Aequus Group is overseen by the Shareholder (B&NES Council) and its appointed Board of Directors which currently consists of 2 Executive Directors, a Non-Executive Chair and 5 Non-Executive Directors.

We recently conducted a Skills & Experience Audit of our current Non-Executive Directors to inform our future recruitment needs. The audit highlighted that our board is well-equipped with expertise in:- housing, planning, environmental sustainability, property regeneration, and customer care.

When we are recruiting Non-Executive Directors, we will be focusing on candidates with experience in the areas of need identified, at present this includes finance, community investment, and audit & risk management.



There are various governance arrangements in place to enable the Shareholder and its representatives, to effectively monitor Aequus’ performance against its business plan and objectives, while also addressing key policy and procedural matters that support the company’s efficient operation.

Shareholder

The Shareholder holds ultimate decision-making authority over the company’s strategic direction, exercising this through key shareholder reserved matters and approval of our Business Plan.

Board of Directors

The Board acts on behalf of the Shareholder, providing oversight of Aequus’ management to ensure alignment with the company’s objectives and business plan.

Scrutiny

Independent and internal scrutiny mechanisms include:

Internal Audits

to assess the efficiency of internal controls.

External audits

to provide independent financial reviews.

Regular reporting

to B&NES Scrutiny and Corporate Audit committees.

Together, these governance structures allow for consistent monitoring, informed decision-making, and adherence to Aequus’ business objectives and policies.

Local Authority Partnership Governance

During 2024, B&NES Council obtained further legal advice to ensure that the contractual arrangements to allow Aequus Group to work with other local authorities and public sector partners, comply with the Local Authorities (Goods and Services) Act 1970. This advice is key to support the future growth and partnership working aspirations of the company and the Shareholder.

The contractual arrangements between B&NES Council, Aequus, and neighbouring local authorities represent a significant opportunity to optimise resources, deliver high-quality housing services, and ensure compliance with legal requirements. Through clear contracts, robust SLAs, and a collaborative approach, this structure will enable Aequus to assist neighbouring councils in delivering much-needed housing and development projects, while ensuring that B&NES remains compliant with the Goods and Services Act 1970.

Arrangements with local authority partners is delivered in three stages, with stages one and two concerning consultancy/planning services, while stage three concerns the sale of the land. The partner arrangements will only be required for stages one and two.

Review of current Governance arrangements

During the latter of 2024, Aequus in collaboration with its Shareholder will be working with Legal Advisors to review the current governance structure to enhance the company's ability to promote and deliver future development project opportunities effectively. This encompasses a wide range of improvements, from streamlining decision-making processes, supporting external investment and funding, and to establish more tax efficient structures. As part of a long-term strategy we will review the potential for the organisation to become registered as a social landlord as set out in the business model.

Key areas of focus include setting up a tax-efficient LLP for B&NES projects, streamlining decision-making, and reviewing the Shareholder's reserved matters. We will also be looking at how we can acquire sites from public sector partners and exploring both Teckal and non-Teckal setups for greater flexibility.

Risk Management

Strategic Business Risk

In 2023, our Risk Management Strategy was approved to support the Board and employees in achieving the goals outlined in the Business Plan. This strategy promotes a proactive approach to risk identification and management, ensuring the business minimises potential adverse impacts while maximising opportunities.

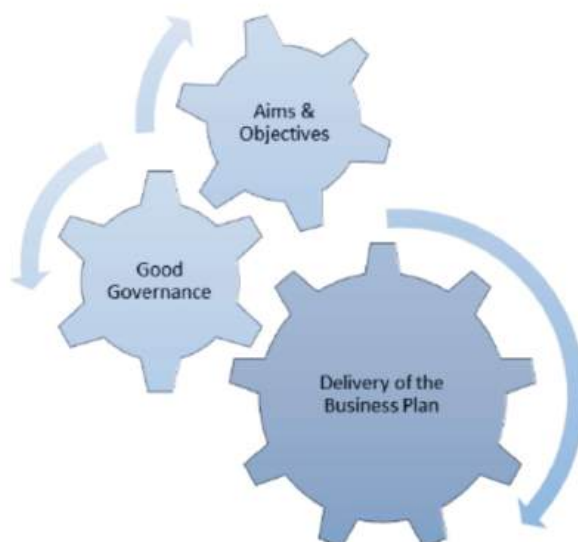
Risk management is a fundamental part of Aequus' operations, with a commitment to embedding effective practices under the oversight of the Audit Committee which is led by an Independent Chair. This is achieved by integrating risk management into existing processes, ensuring it remains proportionate and aligned with overall business objectives.

Aequus has established a thorough system for monitoring and reviewing risks, with actions aligned to the adopted process.

- Project risks will be managed through individual project risk registers and regular monthly meetings, with updates provided in the Monthly Progress and Status Meeting Reports and the Monthly Director Reports. New or evolving Programme or Project risks will also be communicated to the Board and/or Audit Committee.
- Aequus Group Risk Register – the corporate risk register, managed by the Managing Director, is presented quarterly to the Board and Audit Committee.
- The Company's Internal Audit function will evaluate risk management processes and the internal control frameworks, reporting every six months to the Audit Committee.

Top Three Identified Business Risks

- **Delay in conversion of pipeline projects** – the range of the pipeline across our council partners offers a degree of diversification to this risk whilst recognising the majority of projects currently remain in the planning process and are yet to be fully secured.
- **Rise in interest rate** – the current high level of interest rates presents a viability risk to projects although rates have peaked, and future rate moves are expected to be downwards. We will seek to utilise fixed interest rate funding going forwards to provide cost certainty.
- **Fluctuations in open market sales demand** – uncertainty around interest rates and the wider UK economy have impacted on market sales demand. Buyers are being more selective and taking longer to make decisions but there is demand for the right products in the right places. The easing of interest rates are likely to see improvements in demand which should align with the companies projected market housing delivery plans.





Market and Political Analysis

National Context

Local Context

Sales and Marketing Approach

Explore More



Market Analysis – New Build Homes

National Context

The UK housing market in 2024-25 is expected to be shaped by a mix of economic, policy, and social factors. Higher interest rates could temper demand, but a persistent supply shortage and strong regional markets is likely to continue to support some price growth. Regional disparities will remain significant, with different areas experiencing varying levels of activity and price changes. As always, government policy and global economic conditions will be key variables to watch.

The UK's affordable housing sector in 2024 is at a critical juncture. While the demand for affordable homes continues to grow, numerous challenges, including funding, land availability, and construction costs, hinder progress. The government's ability to deliver on its promises will be crucial, as will the involvement of the private sector and the adoption of innovative building methods. Addressing these challenges is essential to ensure that affordable housing is accessible to all who need it, particularly in regions where the crisis is most acute.

Government Policies

National Planning Policy Framework (NPPF)

Reintroduction of mandatory housing targets to fulfil Labour pledge of delivering 1.5million new homes per year in England over the next five years.

Green Belt boundary review

Local Authorities will be asked to review green-belt boundaries. New boundaries will aim to prioritise brownfield land and 'grey belt' land, which lies within green belt boundaries but consists of 'poor-quality land, car parks and wastelands'.

Regulation and Taxes

Changes in stamp duty, capital gains tax, and regulations on landlords could also influence market dynamics. A more regulated buy-to-let market might reduce investor activity, affecting rental supply.

Affordable Housing Targets

The UK government has set ambitious targets to increase the supply of affordable housing. However, meeting these targets has been challenging due to funding constraints and planning delays. In 2024, the success of these targets will depend on the effective implementation of new policies and financial commitments.

Help to Buy and First-Time Buyer Incentives

The winding down of the Help to Buy scheme may shift focus towards other affordable housing initiatives, such as Shared Ownership and First Homes. These programmes aim to help lower-income households purchase their homes but have faced criticism over their accessibility and effectiveness.

Social Housing

Investment in social housing remains a priority, with the government aiming to address the significant shortfall in social housing stock. However, delivery has been slower than needed, with local authorities and housing associations struggling to meet demand as they divert budgets to tackle substantive issues on their existing housing stock.

Local Context

Bath and North East Somerset Council (B&NES)

The housing market in B&NES in 2024 is characterised by high demand, limited supply, and significant affordability challenges. Bath remains a highly sought-after location, leading to elevated property prices and rental costs, while surrounding areas are becoming more popular as alternatives.

**Bath & North East
Somerset Council**

Improving People's Lives

B&NES Council's efforts to increase affordable housing are ongoing but face significant hurdles. The region's unique blend of urban and rural settings creates distinct market dynamics, with sustainability and heritage preservation playing crucial roles in shaping housing policies and developments.

Government and Council Policies

- **Planning Policies:** B&NES Council has been navigating the challenge of balancing the need for more housing with the preservation of the area's unique character and environment. Strict planning regulations in Bath, particularly concerning its heritage sites, complicate the approval of new housing projects.
- **Affordable Housing Targets:** B&NES Council has set targets for affordable housing, but meeting these targets has been difficult due to high land and construction costs. There is an ongoing effort to work with developers to include affordable housing in new projects, but delivery has been slow.
- **Sustainability Goals:** B&NES Council has a strong focus on sustainability, which influences housing policy. New developments are expected to meet high environmental standards, which can sometimes increase costs and slow down the approval process.

Identified Need: The overall need for housing in B&NES is for 717 new homes per annum, potentially rising to 1,466 per annum, or 29,300 over the next twenty-years in the proposed new National Planning Policy Framework (NPPF) Targets.



South Gloucestershire Council (SGC)

South Gloucestershire's housing market in 2024 is characterised by strong demand driven by its strategic location near Bristol, ongoing developments, and good transport links. However, this demand is tempered by challenges such as limited land availability, rising construction costs, and an affordability crisis that makes it difficult for many residents to access housing.



The local council's efforts to manage growth, improve infrastructure, and increase the supply of affordable housing will be crucial in shaping the future of the housing market in South Gloucestershire.

Government Policies and Local Initiatives

- **Planning Policies:** South Gloucestershire Council has been working to manage the growth of the area through strategic planning policies that aim to balance the need for more housing with the preservation of the environment and existing communities. The West of England Joint Spatial Plan has been influential in guiding development in the region.
- **Affordable Housing Targets:** SGC has set targets for affordable housing as part of new developments. However, like many areas, South Gloucestershire has struggled to meet these targets fully, due to financial constraints and resistance from some developers.
- **Greenbelt and Planning Restrictions:** A significant portion of South Gloucestershire is designated as greenbelt land, which restricts where new housing can be built. Balancing development needs with the preservation of these green spaces remains a key challenge for the local authorities.
- **Infrastructure Development:** As housing development increases, so too does the pressure on local infrastructure, including roads, schools, and healthcare services. The council is focused on ensuring that new developments are accompanied by necessary infrastructure improvements, though funding and coordination remain challenges.

Identified Need: Currently 1,317 new homes per annum are required in South Gloucestershire to meet identified need, which is proposed to increase to 1,717 homes per annum under the new NPPF targets.



North Somerset Council (NSC)

North Somerset's housing market in 2024 has strong demand driven by its proximity to Bristol, good transport links, and the appeal of its coastal and rural areas. While ongoing developments are helping to meet some of the demand, affordability remains a significant challenge, with house prices and rents rising steadily.



The council's efforts to manage growth, improve infrastructure, and increase the supply of affordable housing will be critical in shaping the future of the housing market in North Somerset. Balancing development with the preservation of the area's quality of life and environment will be key to ensuring sustainable growth in the region.

Government Policies and Local Initiatives

- **Planning Policies:** North Somerset Council is actively managing housing growth through strategic planning. The council aims to balance the need for new housing with the protection of green spaces and the character of existing communities. This includes managing the impact of new developments on infrastructure and local services.
- **Affordable Housing Targets:** The Council has set targets for affordable housing as part of its broader housing strategy. However, like many regions, achieving these targets is challenging due to high land costs and the need to negotiate with developers.
- **Land Availability:** While there is more land available for development in North Somerset compared to more densely populated areas like Bristol, there are still constraints, particularly in protected or greenbelt areas. This limits the pace at which new homes can be built.
- **Infrastructure Investment:** There is a focus on ensuring that new housing developments are supported by adequate infrastructure, including transport, schools, and healthcare services. The council is also working on improving transport links to Bristol and other major employment centres, which is crucial for supporting future housing growth.

Identified Need: The council has a current housing target of 1,324 homes per annum although this increases to 1,587 per annum under the proposed NPPF targets.



Market Analysis – Rental Portfolio

Tenants are increasingly inclined to remain in their current homes and are generally more receptive to reasonable rent increases, as this is often a more affordable option than moving to a new property.

However, there is a growing trend of non-commitment from tenants, with some withdrawing from viewings or opting for other opportunities, even after paying holding deposits. This has led to a higher volume of viewings required to secure tenants.

The rental market has softened, with fewer prospective tenants actively searching. Prospective tenants are becoming more cautious and tightening their budgets compared to earlier in the year. Like many areas across the UK, Bath & North East Somerset is experiencing a shortage of affordable housing, which poses challenges for renters, particularly those on lower incomes. Despite these market shifts, rental income continues to rise due to year-on-year increases in rental values.

The Renters' Rights Bill

As of October 2024, the Renters' Reform Bill in the UK is moving forward under the Labour government and is expected to become law by mid-2025. The bill introduces several significant changes aimed at protecting renters' rights while imposing new obligations on landlords:

01

Abolition of Section 21 "no-fault" evictions

Meaning Landlords will no longer be able to evict tenants without providing a reason, giving renters more security.

02

New grounds for possession

Landlords can still regain possession of properties if they intend to sell, redevelop, or move in a family member, among other reasons. However, stricter notice periods and requirements will apply.

03

Tenancy reforms

All tenancies will become periodic, meaning they will continue on a rolling monthly basis, giving tenants more flexibility to leave with two months' notice.

04

Rent increases

Rent hikes will be limited to once a year, and tenants will have the right to challenge unfair rent increases.

05

Additional protections

The "Decent Homes Standard" will be applied to ensure rental properties meet minimum living standards, and Awaab's Law will extend to the private sector, allowing tenants to address unsafe conditions.

06

Landlord obligations

A landlord database will be created to monitor compliance, and landlords will be required to register, further increasing accountability.

We are confident that we already operate in line with the expectations of a Responsible Landlord, and we recognise that many of the upcoming changes will further formalise our existing practices. The new bill aims to balance the relationship between tenants and landlords, though it may result in higher rental costs as landlords adjust to the new regulations. As a Responsible Landlord, we will collaborate closely with our managing agent to ensure full compliance with these changes while maintaining our commitment to providing quality, affordable housing.

Sales and Marketing Approach

We will focus on a targeted approach that leverages our ability to work efficiently with public sector partners. Our sales approach will recognise the quality of our product and our approach to sustainability, efficiency and building communities. Utilising digital media, we will ensure we can effectively reach potential partners and buyers, aiming to create lasting relationships that drives both a sustainable land supply and strong market sales.

Value Proposition

As a Teckal compliant company, Aequus is able to work efficiently and effectively with public sector partners. This not only saves time and resources, but also enables delivery to commence quickly. We have a tried and tested approach to bringing sites forward through the planning process with a template Sales and Overage Agreement to ensure sites are delivered to agreed outputs and profits shared between partners.

The company has a number of unique selling points that sets it apart from other market led housebuilders including:

- Deliver high quality homes as standard, which are tenure blind.
- Ensuring all our developments deliver policy compliant levels of affordable housing.
- Providing homes that meet national space standards
- Delivering homes that are energy efficient and achieve EPC A ratings

Brand Positioning

We will continue to develop a strong brand identity that reflects our mission, values, and social value commitments. This will be done through face-to-face meetings with our partners, together with the continued growth of our on-line profile including enhancement of our social media presence on platforms such as LinkedIn and Facebook, with plans to explore the use of Instagram and other potential platforms.



Networking and Partnerships

Developing and expanding our network of partners is key to the success and sustainability of the business. We will seek to strengthen and expand these partnerships through our sales and marketing activities across the following areas:

Key Local Authority Partners

Strengthening our current local authority partnerships to support and enhance our pipeline of sites.

**Bath & North East
Somerset Council**

Improving People's Lives



Real Estate Agents

Building relationships with real estate agents for market sales support, referrals land opportunities, market intelligence and collaboration.

Wider Public Sector Partnerships and Collaborations

Developing new relationships with partners across the public sector, including:

- local NHS organisations including the RUH, the Integrated Care Boards and NHS Property Services
- registered social providers including Curo and Alliance Homes,
- local Universities and Colleges
- Homes England,
- West of England Combined Authority

Local businesses

Engaging and supporting local businesses (e.g. development contractors, architects, consultants, interior designers, building materials suppliers etc.).

Sales and Marketing Content

Our sales and marketing approach will utilise a range of media and channels, to ensure we can effectively engage with our partners and customers.

The use of digital platforms and content will provide a core focus for promoting the key products, services, milestones and achievements of the business. This will include the use of our website www.aequusdevelopments.co.uk and our social media channels including, news releases, bespoke posts, PR opportunities, project milestone achievements, photo opportunities and potentially written and video blogs.



Recently, we were shortlisted in three categories for the Bath Property Awards and four categories for the Bristol Property Awards. We will be attending the ceremonies to further promote our brand and, and hopefully secure wins in some categories.

For each development, we create a case study showcasing the key successes and demonstrate alignment with our business plan objectives both on terms of financial and the social value outcomes. The case studies are a great way to visually demonstrate what we have achieved and the outcomes we have delivered.

To ensure the effectiveness of our sales and marketing approach, we will collect partner and customer feedback through surveys and direct interactions including follow-up communications after housing sales. This feedback will provide valuable insights into partner and customer satisfaction, preferences, and areas for improvement.

In parallel, we will track key performance metrics such as lead conversion rates, website traffic, and engagement on social media platforms, both directly and through sales agents.

We can assess the effectiveness of our marketing campaigns and sales strategies. This approach will allow us to continually refine our approach to ensure we are meeting partner and customer expectations to drive the growth of the business.



Case Study Examples



AEQUUS

117 Newbridge Hill, Bath

The Victorian building, formerly used as council offices has been converted into seven 1 and 2-bed apartments as one of the first developments in B&NES Council House Building Programme. These refurbished apartments are the first new socially rented properties built for Bath & North East Somerset Council in nearly three decades.

The refurbishment of the building features improved sustainability measures including replacement windows, additional insulation, low energy lighting and A-rated boilers. All of which lower the building's carbon footprint and creates a healthy indoor environment for residents.





Over 800 applications, with priority given to NHS staff.

aequusdevelopments.co.uk Bath & North East Somerset Council **BATH PROPERTY AWARDS 2022**

117 Newbridge Hill Case Study



AEQUUS South Gloucestershire Council

MANOR GARDENS, FRENCHAY

Located on Melnans Drive, this site was held as undeveloped land however following public consultation by South Gloucestershire Council (SGC), it was released for residential use.

Aequus have delivered this development in partnership with SGC as part of the Council's ongoing strategy to improve local communities by delivering quality, sustainable homes through a plan-led approach.



The development is made up of 30 homes which comprises of 10 three and four bed private sale homes and 11 affordable one, two and three bedroom homes. All homes are tenure blind.

By incorporating sustainable design elements and sourcing locally, the development reduces emissions and energy bills by 70% while supporting the local economy.

LOW ENERGY OUTCOMES

Renewable Energy Integration
The installation of PV panels and air source heat pumps across all homes reduces the use of non-renewable energy sources contributing to lower carbon emissions and reducing reliance on non-renewable energy.

Energy-Efficient Design
The houses incorporate a fabric first approach with high thermal envelopes, high levels of airtightness, and triple glazing, which significantly reduces heat loss and energy consumption. The sustainable credentials are enhanced by reducing the surface water discharge through the use of permeable paving and an attenuation tank.

Mechanical Ventilation with Heat Recovery (MVHR)
The inclusion of MVHR systems in each house enhances energy efficiency by recycling heat within the property, further lowering energy usage and maintaining indoor air quality.

Positive Sales in Challenging Economic Times
The development launched in July 2024, with strong initial interest demonstrating the first reservation on the same day and 11 homes accepted shortly after. To date we currently have only 5 homes available for purchase.

aequusdevelopments.co.uk

Manor Gardens Hill Case Study

For more information please contact: enquiries@aequusconstruction.co.uk

AEQUUS

Aequus Group is owned by Bath & North East Somerset Council. The Group's companies were set up to develop, own and manage property for open market and rental. All profits are used to support the Council to fund front-line public services.

- Developer of the Year 2019, Bath Property Awards
- Riverside View development on list for LABC Warranty Bricks Award 2019
- Finalist for Developer and Residential Development of the Year 2020, Bath Property Awards
- LABC Warranty Site Manager Award
- The Transformation Award 2020, Bristol Property Awards

BATH PROPERTY AWARDS
BRISTOL PROPERTY AWARDS
BATH PROPERTY AWARDS 2019
LABC THE BRICKS ACHIEVEMENT AWARDS 2020
SITE RECOGNITION AWARDS WINNER 2020
CEMEX BUILDERS' CHOICE

Case Study: Riverside View Keynsham

The 1960's Riverside building was formerly used by Bath & North East Somerset Council as office space. Having stood empty for three years Aequus redeveloped Riverside View building into modern, sustainable living space. The proposals supported the Council's vision of using its surplus property base to provide facilities and housing for communities. The redevelopment was ambitious and challenging due to the layout and materials of the existing structure built in 1960.

Delivery

B&NES Council approved the development and in 2018, Aequus took possession and began transforming the building into 95 contemporary apartments. AHR were commissioned as the design architect for the scheme. Sustainability measures including composite double-glazed windows with cost-saving, low energy LED lighting were incorporated into the design. Contractors were appointed to strip the building of all fixtures, fittings and finishes including the controlled removal and safe disposal of many asbestos-containing materials.

Kier Construction was commissioned in 2019 to undertake Phase 1 of the works. This comprised constructing the layouts for the apartments; creating balcony spaces and terraces; bringing new services into the building; installing floor-to-ceiling windows; insulating the exterior of the building; cladding and rendering. Upon completion of Phase 1, Rydon Construction was appointed to undertake the fit-out works to the apartments including erecting internal partitions; drying; mechanical and electrical fixes; kitchen installations; decoration and final finishes to floors, walls and bathrooms. Aequus adopted a "Think Local" approach to the procurement strategy for Riverside View. Supporting local businesses, this included website designers; sales agents and site staff PPE alongside "healthy lifestyle" offers for homeowners, such as discounted gym memberships. At the same time as work began on Riverside View in Keynsham, the neighbouring Leisure Centre was upgraded. As both buildings were within the same envelope, this meant a high level of co-operation from all was needed to complete both projects on time.

98.7% of the building material stripped was recycled





Riverside View Case Study



Company Analysis

SWOT Analysis

Pipeline Assessment

Explore More



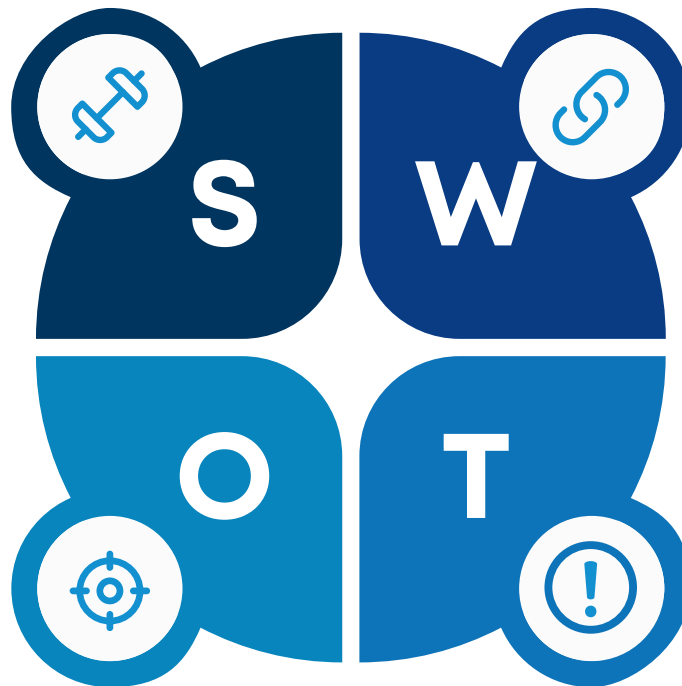
Company Analysis

Strengths

- Quality of completed schemes
- Sustainable quality developer
- Financial position and credit strength when contracting with partners and supply chain
- Responsible asset holding landlord
- Supportive Board
- Cash position
- Teckal Company

Weaknesses

- Opportunity identification from Council Partners
- Process and sign off timescales
- Systems, process and resource alignment with growth potential
- Brand and business model awareness



Opportunities

- Pipeline conversion
- New Council Partnerships
- Alternative delivery model
- Public sector land availability
- Government housing policy and targets
- Increased social value outcomes leading to greater LA support

Threats

- Delays to pipeline
- Funding preconstruction and feasibility activity
- Market conditions
- Continued high interest rates
- Supply chain availability
- Changes to Council administration

Strengths

The quality of our product that underpins our sustainability and social objectives of delivering developments with low energy homes and higher levels of affordability are demonstrated by the schemes that we have completed and are reflected in our pipeline of opportunities being progressed.

Our Teckal public sector owned company structure coupled with our cash position and the strength of our credit rating provides a unique position for the company to operate across council boundaries and with other public sector partners. This position in conjunction with our company culture provides confidence when we are contracting with our supply chain partners and enables us to obtain best value.

Weaknesses

The strength of our pipeline is heavily influenced by the availability of land from our Council partners. To enable a consistent delivery of the dividend it is important that we work closely with our partners to smooth out any volatility.

Streamlining systems and process that allow early scheme identification with clarity of scope and purpose will provide a stable framework for forward workload management and confidence in our financial performance and growth aspirations.

Opportunity

The business has a tremendous pipeline of development opportunities, and a key focus is to convert these schemes into secured projects. There are a mix of sizes and scales within the pipeline and, a number of the larger schemes, if converted, will provide a stable platform for the business to move forward, grow and provide the confidence to deliver consistent returns for our partners.

As part of the business plan strategy, we are looking to support the pipeline with new council and public sector partners and exploring alternative delivery models such as a limited liability partnership.

Recently announced Government policy and the clear message to deliver more homes provides the political will and when coupled with our objectives of delivering higher than policy compliant affordable homes should place the business in a good position with our partners.

Threats

The identification of threats that face the business and ways in which we can mitigate or address them entirely is an important element of risk management.

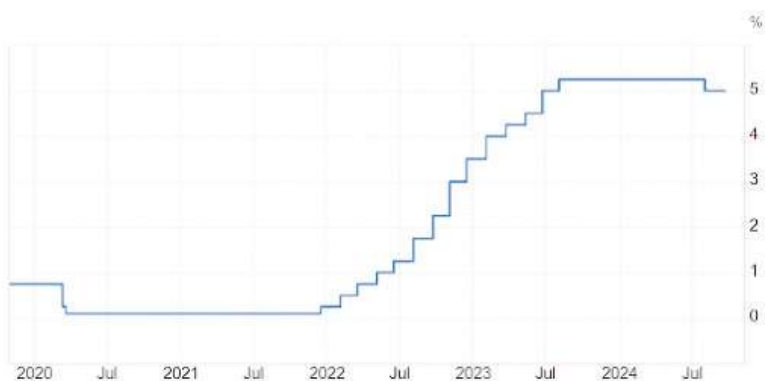
The pipeline we have identified is in excess of 1,000 homes and therefore strong, however, delays or alternative disposal solutions adopted by our Council partners are the single greatest threat to the business.

Through the business planning process, we have already moderated our forecast by assessing the risk and likelihood of projects progressing to the delivery stage. Through our integrated working strategy recently introduced with the councils, we are looking to align our processes and achieve a greater level of understand on development opportunities.

Although currently a hurdle to bringing schemes forward, we are exploring ways in which we can fund preconstruction activity and accelerate delivery. The business has invested in a revolving fund to enable early feasibility to be undertaken, this will then provide confidence when looking to move projects forward with our partners.

Having benefitted from a long period of low interest rates the more recent steady increases have adversely affected the business. Rates appear to have stabilised and market sentiment is that a further rate cut are expected however, it would be prudent for the business to protect itself against any future increases.

The cost of borrowing through higher interest rates impact on the viability of schemes and therefore their delivery, it also has an adverse effect on our rental property portfolio held within Aequus Developments Limited. The business is exploring options by which this risk can be limited by fixing the cost of borrowing.



Reference: Bank of England Base Rate

Project Pipeline Assessment

Aequus Construction Ltd

The business is well positioned with potential projects coming through that equate to over 1,000 homes with 38% of these being of an affordable tenure. Schemes are at various stages of the development, planning and procurement process, so we have therefore allocated them into three distinct categories that inform the business plan.

| Category Definition | | |
|--|---|--|
| Secured | Probable | Pipeline |
| The Final Business Case has been approved and the scheme is either on site or is at the mobilisation stage | We have undertaken the Initial Business Case, and this has been approved. The scheme is progressing through the planning process with the aim of developing a Full Business Case for approval | Projects have been identified and are progressing towards the Initial Business Case proposal or there is a level of uncertainty regarding the ultimate delivery strategy and viability |

This categorisation of our pipeline coupled with the scenario planning that has been undertaken, enables a more informed process to be undertaken when developing the forecasts contained within the business plan. The current secured position for forward workload at 4% is below expectation and the focus of the business is to progress projects that are currently in the probable classification.

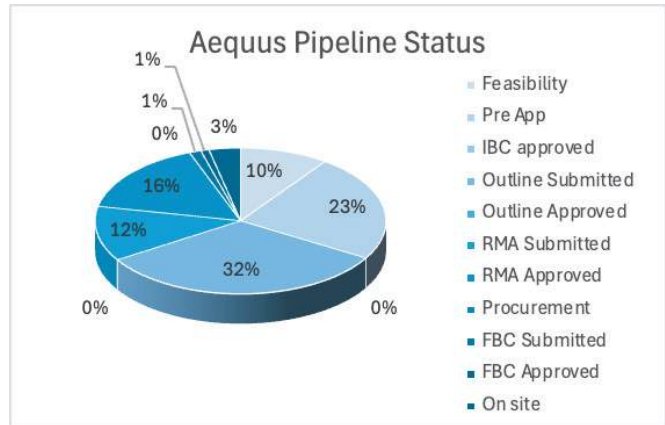
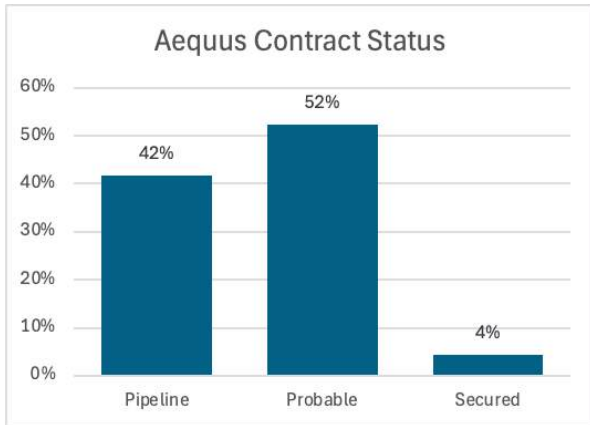
586 units which equates to 54% of our pipeline have been allocated as probable, these include the following projects:

| Probable Developments in Forecast | | | | |
|--|---------|------------------|-------------|------------|
| Project | Partner | Affordable Units | Sales Units | Total |
| Danes Lane | B&NES | 10 | | 10 |
| Cotterel Court | B&NES | 5 | | 5 |
| Milsom Street (2) | B&NES | 9 | | 9 |
| Midland Road | B&NES | 44 | 131 | 175 |
| Bath Quays North | B&NES | | 96 | 96 |
| Charborough Road | SG | 12 | 22 | 34 |
| Dolphin Square & Walliscote Place | NS | 145 | | 145 |
| Castlewood | NS | 33 | 79 | 112 |
| Total | | 258 | 328 | 586 |
| | | 44% | 56% | |

Pipeline Analysis

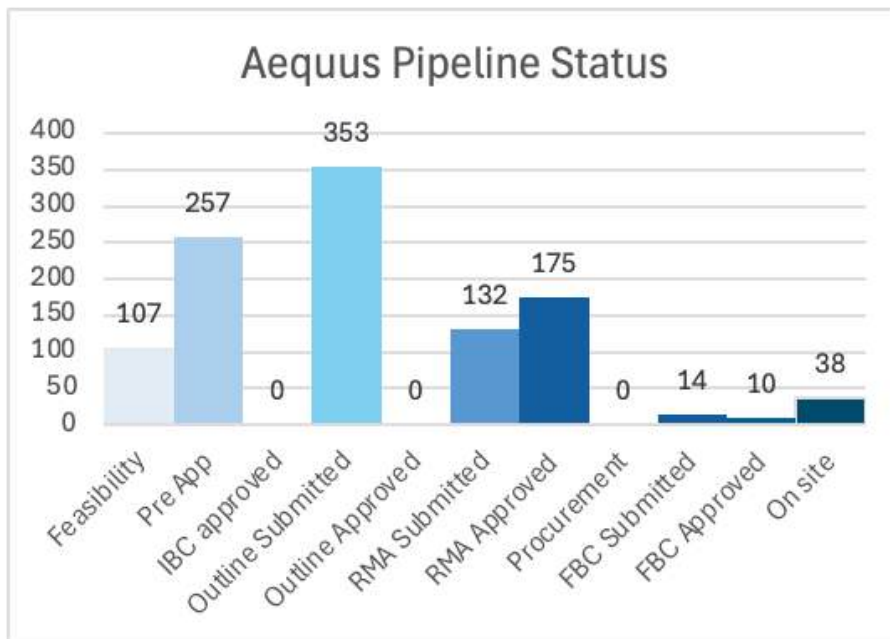
The Aequus total pipeline breakdown by category and development stage is:

- Secured – 38 units, 4%
- Probable – 586 units, 54%
- Pipeline – 460 units, 42%



Development stage progression:

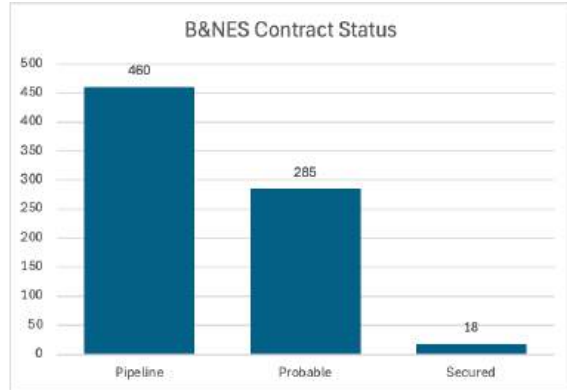
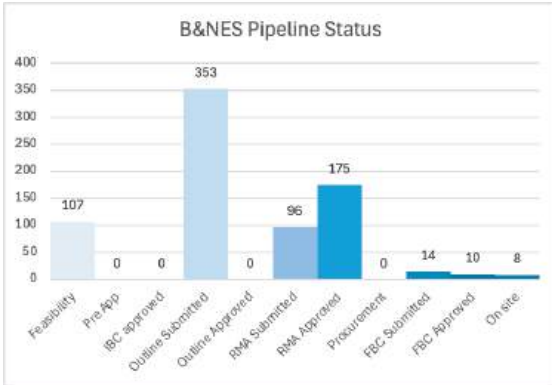
- On site – 38 units, 4%
- Full Business Case Submitted – 24 units, 2%
- Reserved Matters Planning (RMA) application approved – 175 units, 16%
- RMA Submitted (or ready) – 130 units, 12%
- Outline planning application submitted - 353 units, 33%
- Pre-application - 257 units, 23%
- Feasibility - 109 units, 10%



Pipeline Analysis by partner

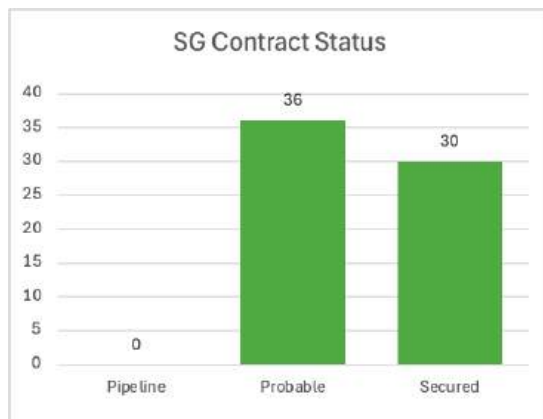
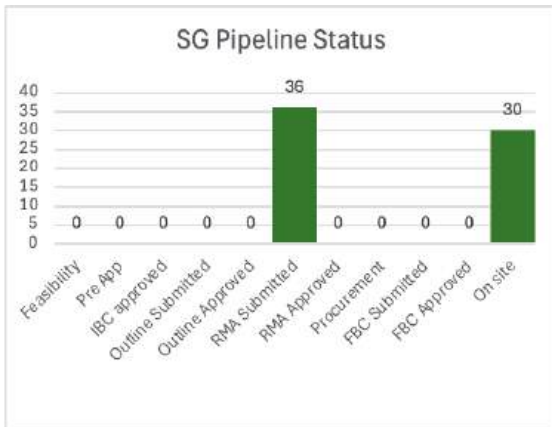
Bath and North East Somerset Council

- Secured – 8 units, 1%
- Probable – 295 units, 39%
- Pipeline – 460 units, 60%



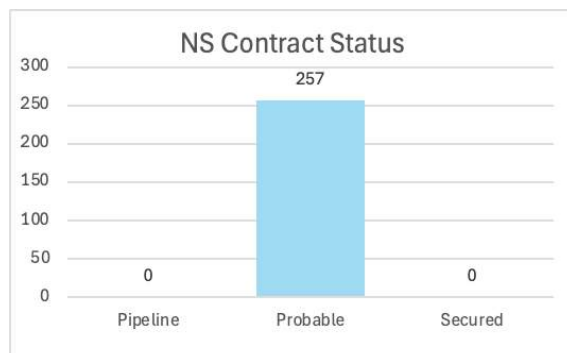
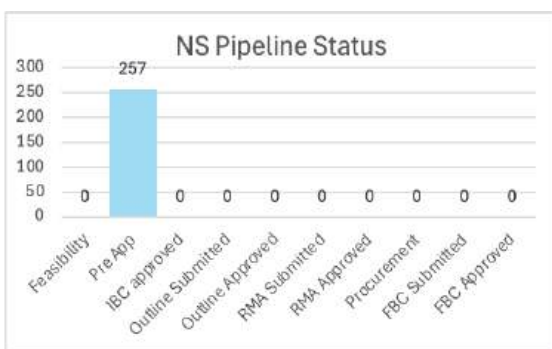
South Gloucestershire Council

- Secured – 30 units, 47%
- Probable – 34 units, 53%
- Pipeline – 0 units, 0%



North Somerset Council

- Secured – 0 units, 0%
- Probable – 257 units, 100%
- Pipeline – 0 units, 0%



Aequus Developments Ltd (ADL)

Aequus are dedicated to providing high-quality, reasonably priced rental homes in B&NES that align with the Council's vision of **'right home, right place.'**

ADL is the Council's residential asset holding company, providing both market and, more recently, affordable properties for rental.

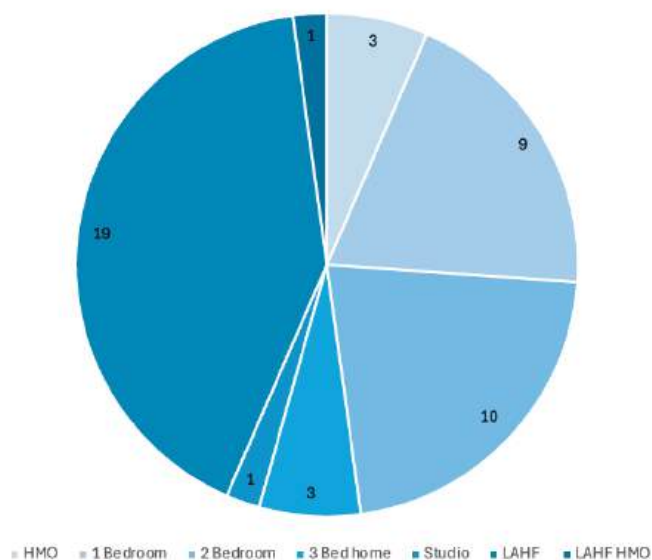
Within ADL we currently own and manage 46 homes, consisting of 64 tenancies of which 23 tenancies are allocated to the Local Authoring Housing Fund (LAHF).

We have been supporting B&NES Council with the LAHF property acquisitions. In Round 1, we purchased 20 properties, and we are now working on Round 3, which involves the purchase of 4 additional properties. This programme is aimed at providing housing for families who have arrived in the UK through the Ukrainian and Afghan resettlement and relocation schemes. The programme provides for rents to be fixed to the Local Housing Allowance rates approved by B&NES Council and ensures they remain truly affordable.

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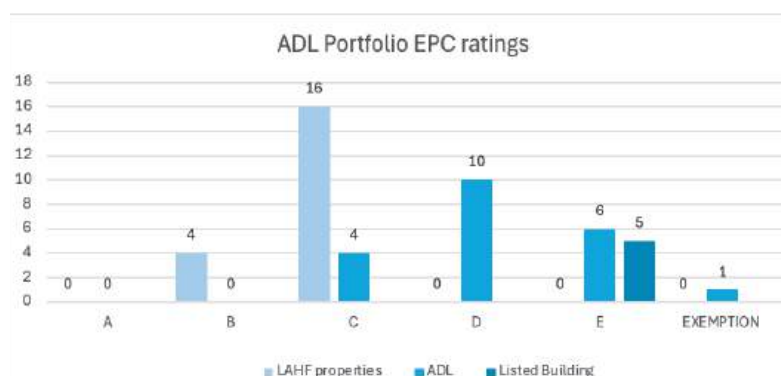
Our property portfolio includes a diverse range of housing types, such as one- and two-bedroom flats, HMO buildings for young professionals, and family homes.

ADL Property Analysis



Energy Performance

We are dedicated to improving property standards by ensuring compliance with new regulations while enhancing energy efficiency. Our efforts will help reduce tenants' energy costs and increase the long-term value and sustainability of our properties.



We are dedicated to improving property standards by ensuring compliance with new regulations while enhancing energy efficiency. Our efforts will help reduce tenants' energy costs and increase the long-term value and sustainability of our properties.

By 2030, we will ensure all our properties are an EPC C wherever feasible. This means we are committed to improving the rating of 22 properties by 2030 and will be working with our managing agent to put a strategy in place to deliver this.



Financial Forecast

Financial Overview

Key Dependencies

Aequus Construction Ltd and Aequus Developments Ltd

Overhead

Strategic Financial Plan

Cash Management and Capital Requirements

Shareholder Returns

[Explore More](#)



Financial Forecast

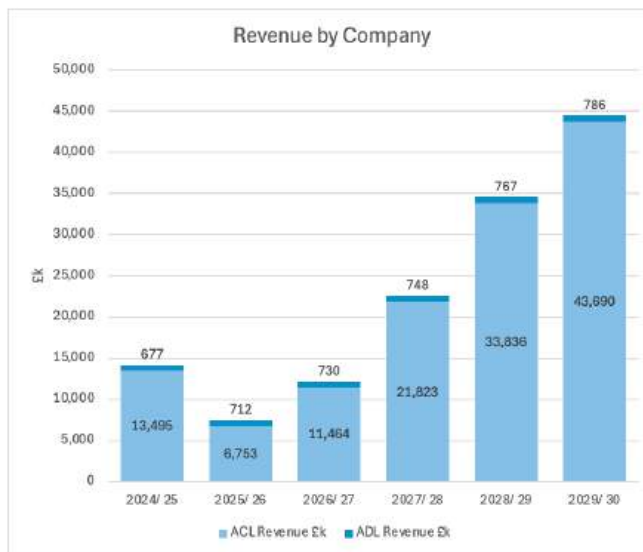
Overview

This business plan covers the period 2024 to 2027 however, we have extended key sections such as the objectives and financial forecast out to 2030 to demonstrate the trajectory of the business, it's ambition and the possible returns to our shareholder.

Revenue Growth

A drop in revenue from 2024/25 to 2025/26 reflects the lack of secured work identified within the pipeline section. It is anticipated however, subject to key projects progressing, revenue will steadily increase, and as mixed tenure schemes mature this will accelerate.

From a low point in 2025/26 it is forecast that the business revenues will increase to achieve around £44m in 2029/30 which equates to an average increase of 55% year on year.



| Aequus Revenue Growth | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| Revenue £M | 14.2 | 7.5 | 12.2 | 22.6 | 34.6 | 44.5 |
| Year on year % Increase in Revenue | | -47% | 63% | 85% | 53% | 29% |

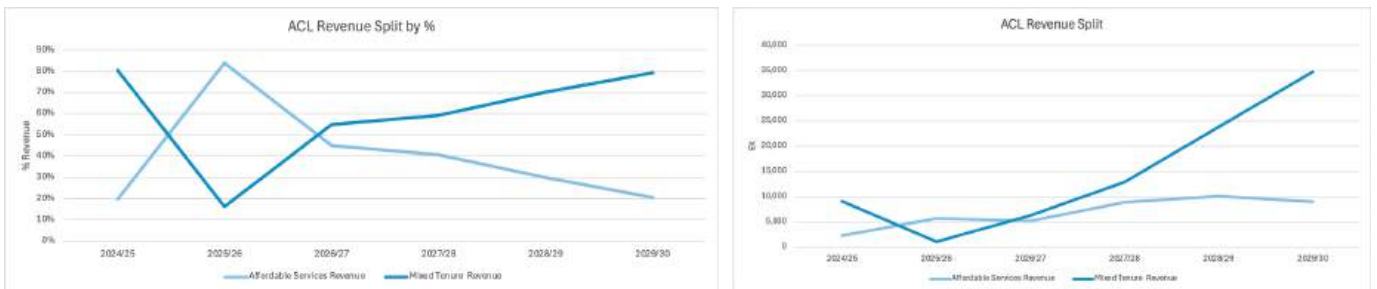
Revenues within ADL increase marginally tracking inflation forecasts and we remain open to opportunities to expand our property portfolio should the correct set of circumstances present themselves.

Revenue Analysis by Workstream

Revenues for the business are heavily influenced by activity within ACL and the portfolio mix between 100% affordable schemes and mixed tenure projects.

In the short-term, activity is dominated by our affordable delivery programme, this is gradually reversed as our longer-term mixed tenure schemes progress through the development and planning stages. Our mixed tenure developments are generally of a larger scale and benefit from a higher GDV so have a disproportionate impact on revenues.

Ideally our revenues will be balanced 70/30 in favour of mixed tenure as this provides the platform to deliver affordable homes at scale and the required financial return to the shareholder. The vast majority of our profit is provided through mixed tenure schemes as we only allocate a nominal overhead recovery to projects that are 100% affordable.

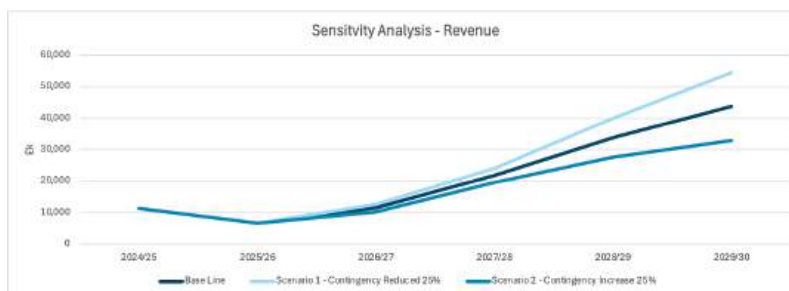


Sensitivity and Scenario Planning

The ACL forecast has been developed from the pipeline which has subsequently been moderated by assessing the risk and or likelihood of project conversion.

This moderation has been expressed as volume contingency and is factored into the forecast from FY 2026/27 until the end of the business plan period.

Volume contingency for 2026/27 is £5m, as larger schemes which are less progressed come through in future years this contingency increases to £9m for 2027/28 then £25m and £43m for the last two financial years.



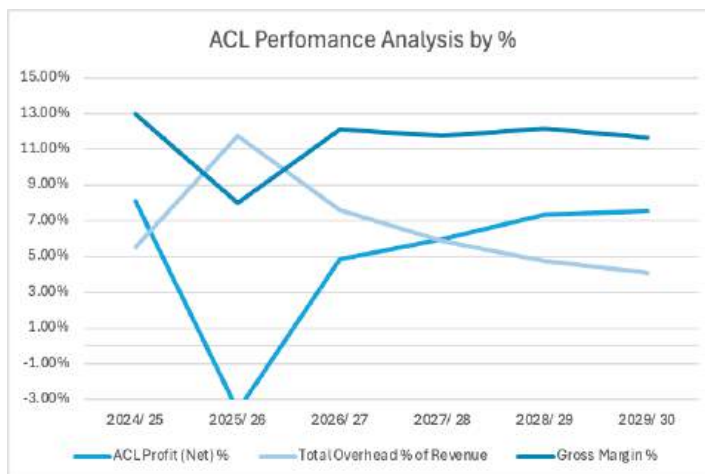
The sensitivity analysis undertaken provides for two scenarios, one with a greater number of projects being converted (Scenario 1 Contingency Reduced) and a second where fewer projects are secured (Scenario 2 Contingency Increased). Both have used a factor of 25%.

The options table provides the output to the scenario planning and demonstrates the impact and benefits.

| Scenario Options Option Table | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 |
|---------------------------------------|---------------|--------------|---------------|---------------|---------------|---------------|
| Revenue Forecast | 11,313 | 6,753 | 11,464 | 21,823 | 33,836 | 43,690 |
| Scenario 1 - Contingency Reduced 25% | 11,313 | 6,753 | 12,714 | 24,073 | 40,086 | 54,440 |
| Scenario 2 - Contingency Increase 25% | 11,313 | 6,753 | 10,214 | 19,573 | 27,586 | 32,940 |
| Gross Margin Forecast | 1,704 | 541 | 1,386 | 2,569 | 4,112 | 5,085 |
| Scenario 1 - Contingency Reduced 25% | 1,704 | 541 | 1,549 | 2,862 | 4,924 | 6,483 |
| Scenario 2 - Contingency Increase 25% | 1,704 | 541 | 1,224 | 2,277 | 3,299 | 3,688 |

Overhead

Control of our overhead cost is of paramount importance; however, it needs to be reflective of the activity the business is managing. Providing the right level of leadership, financial management and governance is essential to ensure we deliver the desired outcomes and continue to build a sustainable business.



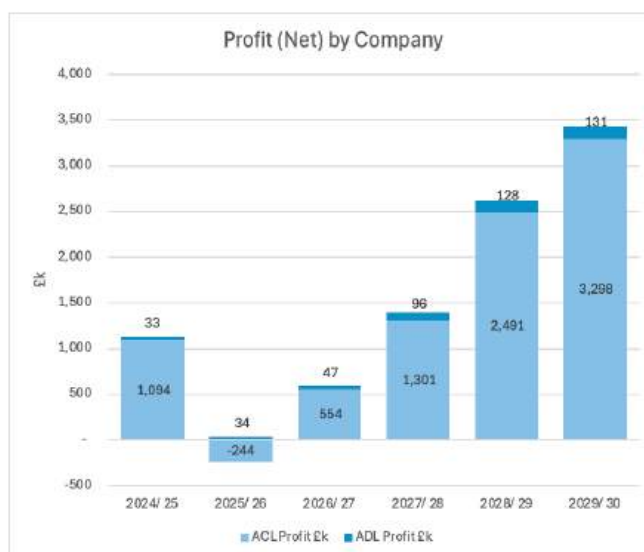
| Aequus Overhead decrease | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 |
|------------------------------------|-------------|--------------|-------------|-------------|-------------|-------------|
| Revenue £k | 14,172 | 7,465 | 12,194 | 22,571 | 34,603 | 44,476 |
| Total Overhead | 783 | 877 | 927 | 1,329 | 1,653 | 1,821 |
| Total Overhead % of Revenue | 5.5% | 11.7% | 7.6% | 5.9% | 4.8% | 4.1% |

Due to the downturn in revenues in 2024/25 the overhead percentage increases from its current level, this however is reversed in following years. As revenues build over future years there is an operational requirement to increase resource within the overhead although economies of scale will be driven by the business and demonstrated by a year-on-year reduction in the percentage apportionment.

Profit Growth

Margins associated with our mixed tenure schemes attract a higher return than that of our affordable housing projects, rightly reflecting the nature and risk profile.

As revenue volumes increase with new mixed tenure developments being converted there is a positive impact on the net margin position. Our 100% affordable schemes will have a natural scale and therefore potentially limit the growth of this workstream which we believe to be in the region of £10M per annum.



Finance Key Dependencies and Project Timing

The business plan forecast has been compiled after careful evaluation of development opportunities that are either secured or sit within our pipeline. For the forecast to be delivered there are numerous elements that need to be concluded however, there are a few key projects that are vital, and the following assumptions have been made:

Bath Quays North for B&NES

Planning and full business case sign off by Q4 2025 enabling a start on site Q2 2026

Midland Road for B&NES

Full business case sign off Q3 2025 allowing demolition to proceed, and full site works by Q3 2026

Charborough Road for South Gloucestershire

Planning consent to be achieved in Q1 2025 allowing a full business case to be delivered and a start on site in Q4 2025

Milsom Street for B&NES – Final approval

Final approval Q4 2024 with start on site Q2 2025

Dolphin Square, Weston-Super-Mare for NS

Commitment to expenditure of funded enabling works in 2025/26

Stall street, Bath for B&NES

Approval to proceed enabling completion of units in 2026/27

ACL Profit Forecast

A small loss is indicated for 2025/26 due to key pipeline projects being delayed into delivery. This position is reversed in future years with a steady year on year increase forecast resulting in a net profit for 2029/30 of £3.3m.

| ACL Profit (Net) % | 2024/ 25 | 2025/ 26 | 2026/ 27 | 2027/ 28 | 2028/ 29 | 2029/ 30 |
|-----------------------------|--------------|---------------|--------------|--------------|--------------|--------------|
| ACL Revenue £k | 13,495 | 6,753 | 11,464 | 21,823 | 33,836 | 43,690 |
| ACL Profit £k | 1,094 | - 244 | 554 | 1,301 | 2,491 | 3,298 |
| Profit % of Turnover | 8.11% | -3.61% | 4.84% | 5.96% | 7.36% | 7.55% |

ACL Key Risks

The major risk for ACL is the delay in the conversion of pipeline opportunities or schemes being removed from the programme in their entirety.

The UK residential market can be volatile and is heavily influenced by changes to lending rates. any increase in interest rates has a further impact on the business as it increases borrowing costs affecting viability.

ADL Key Risk

High Interest rates are ADL's largest risk with commercial interest rates for the private rental properties currently at 6.65% having a substantial impact on ADL's profit margin.

Recent economic data on inflation and economist sentiment predict interest rates will begin to ease over the next few months, going forward ADL will look to agree and fix the interest rate with B&NES at an optimum level to mitigate this risk and provide greater certainty on ADL profit.

With regards the Local Authority Housing Initiative a fixed interest rate of 5% has been agreed with B&NES for the commercial loans to purchase the properties from the market. ADL loan financial interest is returned to B&NES to meet the target return.

ADL Private Rental Interest Rate Sensitivity Analysis

We have carried out sensitivity analysis to understand the impact on the ADL profit subject to interest rate fluctuations. The current interest rate is 6.65%, if interest rates were to:

- Increase 0.5% this would reduce ADL profit margin by a further £20k
- Reduce by 0.5% year on year to 4.65% in 2029/30 this would result in profits rising from £48k 26/27 to £235K in 2029/30.

Overheads

The business plan forecast has been developed by undertaking a detailed process of review. All the projects within our pipeline have been analysed around key areas of delivery being, the likelihood and timing of commencement, cash flow and profit profile and management resource required. The output from this process has then informed the overhead position.

There are steps in the overhead where new positions are required to take account of the increasing workload as the business grows, office and running costs have been increased generally in line with inflation although an allowance has been made for an increase in office space to accommodate the additional resource.

Through the period of the strategic plan and beyond revenues steadily increase, this predominantly due to a greater level of private sales being delivered as larger schemes progress. This revenue increase enables us to drive economies through the business and is reflected in the year-on-year percentage reduction in overhead culminating in an overhead of 4.1% for 2029/30

| Aequus Overhead decrease | 2024/ 25 | 2025/ 26 | 2026/ 27 | 2027/ 28 | 2028/ 29 | 2029/ 30 |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenue £k | 14,172 | 7,465 | 12,194 | 22,571 | 34,603 | 44,476 |
| Total Overhead | 783 | 877 | 927 | 1,329 | 1,653 | 1,821 |
| Total Overhead % of Revenue | 5.5% | 11.7% | 7.6% | 5.9% | 4.8% | 4.1% |

Aequus Strategic Financial Plan



Oct-24

| ACL | Year 2025/26 Actual / Forecast | Year 2026/27 Actual / Forecast | Year 2027/28 Actual / Forecast | Year 2028/29 Actual / Forecast | Year 2029/30 Actual / Forecast |
|---------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Units | | | | | |
| Open Market sales | 2 | 5 | 22 | 92 | 177 |
| Revenue | | | | | |
| Affordable Services | 5,663 | 5,164 | 8,900 | 10,100 | 9,000 |
| Mixed Tenure | 1,090 | 6,300 | 12,923 | 23,736 | 34,690 |
| Revenue Total | 6,753 | 11,464 | 21,823 | 33,836 | 43,690 |
| Gross Margin | | | | | |
| Affordable Services | 388 | 373 | 840 | 960 | 807 |
| Mixed Tenure | 153 | 1,014 | 1,729 | 3,152 | 4,278 |
| Gross Margin Total | 541 | 1,386 | 2,569 | 4,112 | 5,085 |
| Gross Margin % | 8.00% | 12.09% | 11.77% | 12.15% | 11.64% |
| ACL Overhead | 784 | 832 | 1,268 | 1,620 | 1,787 |
| Overhead % of Revenue | 11.61% | 7.26% | 5.81% | 4.79% | 4.09% |
| Net Margin | -244 | 554 | 1,301 | 2,491 | 3,298 |
| Net Margin % | -3.61% | 4.84% | 5.96% | 7.36% | 7.55% |

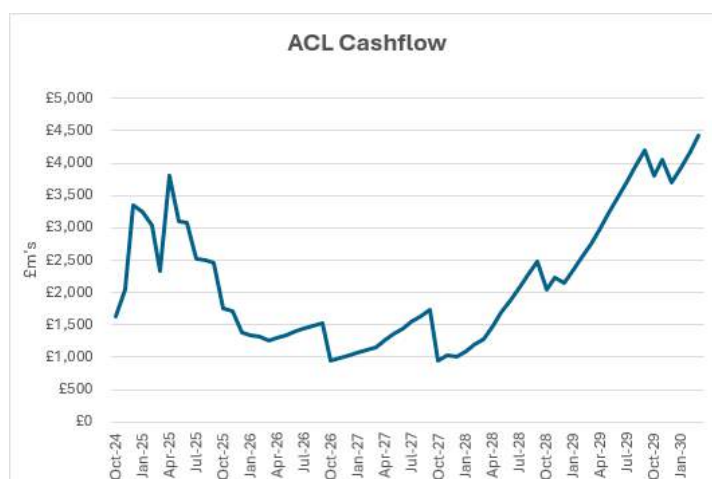
| ADL | Actual / Forecast | Actual / Forecast | Actual / Forecast | Actual / Forecast | Actual / Forecast |
|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Revenue | 712 | 730 | 748 | 767 | 786 |
| Cost of Sales | 585 | 588 | 591 | 606 | 621 |
| Gross margin | 127 | 142 | 157 | 161 | 165 |
| Overhead | 92 | 95 | 61 | 33 | 34 |
| Net Margin | 34 | 47 | 96 | 128 | 131 |
| Net Margin % | 4.84% | 6.39% | 12.88% | 16.71% | 16.70% |

| Aequus | Actual / Forecast | Actual / Forecast | Actual / Forecast | Actual / Forecast | Actual / Forecast |
|---------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Revenue | | | | | |
| ACL | 6,753 | 11,464 | 21,823 | 33,836 | 43,690 |
| ADL | 712 | 730 | 748 | 767 | 786 |
| Revenue Total | 7,465 | 12,194 | 22,571 | 34,603 | 44,476 |
| Gross Margin | | | | | |
| ACL | 541 | 1,386 | 2,569 | 4,112 | 5,085 |
| ADL | 127 | 142 | 157 | 161 | 165 |
| Gross Margin Total | 667 | 1,528 | 2,726 | 4,273 | 5,250 |
| Gross Margin % | 8.94% | 12.53% | 12.08% | 12.35% | 11.80% |
| Overhead | | | | | |
| ACL | 784 | 832 | 1,268 | 1,620 | 1,787 |
| ADL | 92 | 95 | 61 | 33 | 34 |
| Overhead Total | 877 | 927 | 1,329 | 1,653 | 1,821 |
| Overhead % | 11.74% | 7.60% | 5.89% | 4.78% | 4.09% |
| Profit before Tax | -209 | 601 | 1,397 | 2,620 | 3,429 |
| Overhead % | -2.80% | 4.93% | 6.19% | 7.57% | 7.71% |

Cash Management

We are mindful of the effective use of our cash and the pressures that may be placed on ACL from market conditions, economic factors and the speed of the pipeline materialising and being delivered.

The current cashflow below assumes that the strategic plan is delivered and that the forecasted dividends are paid to meet the Council Returns. We will be reviewing the cashflow on a regular basis and reflecting the delivery of the pipeline and any slippage or developments not being delivered may result in the dividends not being paid.



Council - Capital Programme Loan requirements for development projects.

The project delivery and future capital funding requirement has been calculated inline with the strategic plan and pipeline. We will be working with the individual Councils and the relevant internal governance process to request the capital development loan funding required for delivery. A fixed commercial interest rate will be paid to the relevant Council for the development loan funding. The capital funding requirements have been calculated for the full potential of the pipeline and have not been moderated as the forecast.

| Capital Funding | 2024/ 25 | 2025/ 26 | 2026/ 27 | 2027/ 28 | 2028/ 29 | 2029/ 30 |
|------------------------|--------------|--------------|---------------|---------------|---------------|--------------|
| B&NES | 2,000 | 2,250 | 10,000 | 36,000 | 23,000 | 7,000 |
| South Glos | | | 3,000 | 2,000 | | |
| North Somerset | | | 5,000 | 7,000 | 4,000 | |
| Total - Funding | 2,000 | 2,250 | 18,000 | 45,000 | 27,000 | 7,000 |

Shareholder Returns

Shareholder revenue returns are a combination of interest from loans provided by B&NES Council for property purchases and development loan funding along with a company dividend paid from ACL or ADL via the Aequus Group Holding company.

Shareholder revenue return is currently targeting £1m, rising to £1.5m from 26/27 and £2m from 29/30 however this is dependent on the pipeline materialising and the strategic planning being delivered.

| Revenue Return to the Council | 2024/ 25 | 2025/ 26 | 2026/ 27 | 2027/ 28 | 2028/ 29 | 2029/ 30 |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| ADL Interest £k | 380 | 365 | 364 | 363 | 363 | 363 |
| ACL Interest (estimated) £k | 0 | 0 | 250 | 500 | 500 | 500 |
| Dividend £k | 620 | 635 | 886 | 637 | 637 | 1,137 |
| Total Revenue Return £k | 1,000 | 1,000 | 1,500 | 1,500 | 1,500 | 2,000 |



Aequus Group Strategic Business Plan

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