

Bath & North East Somerset Council		
MEETING/ DECISION MAKER:	Single Member Decision by Leader as Shareholder	
MEETING/ DECISION DATE:	Not before 22nd February 2025	EXECUTIVE FORWARD PLAN REFERENCE:
		E 3600
TITLE:	Aequus Shareholder Decision	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 – Aequus Business Plan 2024/25 to 2026/27 – 6 month review		

1 THE ISSUE

- 1.1 Aequus is a wholly owned company of Bath and North East Somerset Council and was established in 2018 to develop housing through the use of surplus Council property assets and land. The Council is the sole Shareholder of the wholly owned company.
- 1.2 In March 2024, Aequus requested the approval of the Leader of the Council in their capacity as Shareholder, for their 3-year Business Plan. The Business Plan was approved subject to a review by the Board within 6 months following the appointment of a new chair and an updated plan being produced.
- 1.3 Following the appointment of a new chair, the Business Plan has been updated to reflect:
 - The longer-term opportunity for the company to grow and deliver growth in the financial returns to the council
 - Wider public sector partnership opportunities
 - The role of Aequus in supporting the delivery of the Council’s Affordable Housing Programme.
- 1.4 This report seeks the approval of the updated 3-year Aequus Business Plan, from the Leader of the Council in their executive capacity as Shareholder.

2 RECOMMENDATION

The Shareholder is asked to;

- 2.1 Approve the Aequus Business Plan for the period 2024 to 2027 as set out at Appendix 1.

3 REPORT CONTEXT

- 3.1 The Aequus Business Plan for 2024-2027, was initially approved by the Shareholder in March 2024, with the provision that, following the appointment of a new Chair of the Aequus Board, the plan would be reviewed by November 2024. The updates to the Business Plan needed to address a number of areas identified by the Shareholder for further consideration including:
- To capture the longer-term opportunity for the company to grow and deliver growth in the financial returns to the council
 - To explore wider public sector partnership opportunities
 - To better reflect the role of Aequus in supporting the delivery of the Council's Affordable Housing Programme.
- 3.2 The Business Plan has now been updated to address the issues identified by the Shareholder.
- 3.3 As part of the update, the Business Plan has been revised to align more closely with the B&NES Housing Plan, which confirms the Council's ambition to deliver more affordable housing. This enhances the opportunity for Aequus to collaborate with B&NES in maximising the delivery of affordable housing.
- 3.4 The updated Business Plan also reflects the Council's Corporate Plan ambition to '*deliver the right homes in the right places*'.
- 3.5 The updated Strategic Business Plan now addresses:
- The potential to maximise opportunities
 - The development of wider public sector partnership working
 - A review of the company objectives
 - The balance between social value outcomes and development viability
 - The enhancement of Shareholder returns
- 3.6 Aequus has successfully delivered a range of award-winning developments which has ensured the Company has met its financial performance targets over the last business plan period to deliver financial returns to the Shareholder, Bath & North East Somerset Council.
- 3.7 The Company will continue to support the Council in its corporate capacity to deliver affordable homes, with a mandate to deliver a minimum policy compliant affordable housing outcome (typically 30%) on every site it delivers.
- 3.8 The Council has prioritised the delivery of '*the right homes in the right places*' through the adoption of its Corporate Plan identifying housing as one of the nine key priorities to support its one overarching purpose of **Improving People's Lives**.

- 3.9 The adopted Economic Strategy has evidenced clear economic challenges associated with the current housing market, particularly the affordability and availability of homes for local economically active people. B&NES is now one of the least affordable places to live in the UK which affects our resident's ability to live close to where they work. There are multiple factors affecting the supply of homes that are affordable, but the Council has set clear priorities around addressing market failures to supply more affordable homes with a particular emphasis on delivering Council owned social housing. Aequus is one tool the Council has to enable this alongside its regeneration and direct delivery of affordable housing activity.
- 3.10 To support the delivery of the adopted Economic Strategy, the Council is preparing a set of action plans that set out the Council activity over the next 3-5 years. A Housing plan is being prepared that defined the actions the Council will take to achieve the outcomes identified within both its Corporate Plan and Economic Strategy. The plan will include the contribution Aequus will make alongside the other actions of the Council that scale up delivery of affordable housing.
- 3.11 The Shareholder appointed independent Board, uses this Business Plan to oversee the Company, the Board only need to come back for the Shareholder to seek approvals where the actions are not covered by the Business Plan or for certain important key decisions set out in the Shareholder Agreement.
- 3.12 The Business Plan provides the basis of ensuring a sustainable company to deliver the Shareholder objectives. This includes providing for appropriate skills and resources to maximise future opportunities as they arise.

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 the basis for the transfer of surplus land and development sites from the Council to the Company, to support the delivery of the Shareholder objectives and subject to Shareholder approval of development.
- 4.2 The Council approved the current Shareholder Reserved Matters on 24th March 2022.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 5.1 The Financial Forecast section of the 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, rising to £1.5M from 2026/27 and £2m from 2029/30.
- 5.2 The Resource Management section of the Aequus Business Plan sets out the resourcing arrangements of the company. All staff are directly employed by Aequus Developments Ltd and all such related costs are met directly by the company.

6 RISK MANAGEMENT

- 6.1 A detailed risk assessment of the business plan has been undertaken by the company. The main risks to the Shareholder relates to the availability of land to deliver the business plan objectives, supply chain resilience, construction cost inflation and sales values. Risk management measures have been identified to mitigate this to acceptable risk tolerances through the diversification of land supply from the Council Corporate Estate asset review and partnership working. Market forces are managed through strengthening strategic supply chain relationships and continued prudence in cost and sales values on individual site by site business cases.

7 EQUALITIES

- 7.1 As a business planning decision, equalities impact of the actions flowing from this plan will be subject to equality impact assessments at each business case approval point. This decision has no adverse impact upon individuals with protected characteristics.

8 CLIMATE CHANGE

- 8.1 The Company aims set out by the Council Shareholder include the requirement to support the Council to meet its climate emergency objectives and best practice for property development. Section 7 of the Business Plan addresses how the company will do this in detail, including the use of the AECB Building Standard to achieve an energy performance certification rating of “A” for all new build Aequus housing developments.

9 CONSULTATION

- 9.1 Consultation has taken place with the Statutory Officers and Cabinet Members, including the Council’s Investment Forum and Shareholder Advisory Board.
- 9.2 The draft Business Plan was also presented to the Corporate Policy Development and Scrutiny Panel on 22nd January 2025.

Contact person	Simon Martin
Background papers	None
Please contact the report author if you need to access this report in an alternative format	