

Single Member Cabinet Decision**Executive
Forward Plan
Reference****E3631****Amendments to Development Facility Loan Agreement for Aequus
Construction Ltd and Aequus Developments Ltd**

Decision maker/s	Cllr Mark Elliott, Cabinet Member for Resources
The Issue	Following a review, some amendments are required to the Council's Development Facility Loan Agreement for the Council's wholly owned housing company.
Decision Date	22nd August 2025
The decision	<p>The Cabinet Member agrees that</p> <p>the change to the market rate of interest used in the Development Facility Loan Agreement, taking into account the UK subsidy control framework, are approved.</p> <p>the total loan commitment amount reflected in the loan agreement is updated to align to the recently approved Aequus Strategic Business Plan 2024-30 and the associated provision for loans included in the Council's 5 Year Capital Programme in line with the February 2025 Council Budget Report.</p> <p>the delegation of future decisions on the loan agreements and the granting of specific loans to Aequus is updated to the S151 Officer in consultation with the Cabinet Member for Resources.</p>
Rationale for decision	<p>The original loan facility was set up in 2017 shortly after Aequus was formed. The interest rate included in the agreement was based on the EU framework for assessing a market rate for State Aid purposes. This used a UK specific reference rate to which a margin was added based on an assessment of the rating category of the company and the assets linked to the loan (collateralisation).</p> <p>This framework has since been replaced by the UK Subsidy Control Act 2022 after Brexit, and following a review of the loan agreement alongside this Act, it is proposed to update the market interest rate as well as including a fixed rate option in addition to the current floating rate.</p> <p>The Development Facility Agreement currently includes a "total commitment" limit on loan funding of £33.2m. The Council's currently approved & provisional capital budgets for Property Company Investment is £82.8m, this follows approval of the capital programme at the 2025/26 Council's budget setting meeting and the approval of the Aequus Strategic Business Plan (2024-2030), so the agreement</p>

	<p>needs to be updated to align with these figures. Actual loan utilisation will still be subject to the normal governance and decision making arrangements and this figure represents funding availability subject to those decision making arrangements.</p> <p>Following changes in the role of the Strategic Director of Resources and the designation of the S151 Chief Financial Officer, it is proposed that the delegations in respect of future decisions on the loan agreements and the granting of specific loans to Aequus are updated to the Section 151 Chief Financial Officer, in consultation with the Cabinet Member for Resources.</p>
Financial and budget implications	<p>The interest on loans to Aequus contributes towards delivery against the Council's Medium Term Financial plan target of £1M of revenue returns from the Company each year.</p> <p>The updating of the loan commitment will bring the loan agreement into line with the loan provision included in the Council's capital programme which has already been agreed as part of the February 2025 Council Budget Report.</p>
Issues considered	Corporate; Other Legal Considerations
Consultation undertaken	Cabinet colleagues; Section 151 Finance Officer; Monitoring Officer
How consultation was carried out	Consultation was undertaken via briefings and email circulation of the report.
Other options considered	None. The Council needed to re-set the loan arrangement as a result of the new regulatory regime post Brexit as detailed in the report.
Declaration of interest by Cabinet Member(s) for decision:	None
Any conflict of interest declared by anyone who is consulted by a Member taking the decision:	None

Name and Signature of Decision Maker/s	<p>Councillor Mark Elliott Deputy Council Leader and Cabinet Member for Resources Bath and North East Somerset Council</p>
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Date of Signature	22 August 2025
Subject to Call-in until 5 Working days have elapsed following publication of the decision	