

REPORT TO: SHAREHOLDER SUB COMMITTEE

DATE: 7 JULY 2016

TITLE: DRAFT OPERATIONAL BUDGET AND LOAN AGREEMENT

REPORT OF: JOHN PHILLIPS, MANAGING DIRECTOR HTS(P&E) LTD (01279) 446800

RECOMMENDED that:

- A** The Shareholder Sub Committee RECOMMENDS to Cabinet the outline approval of a loan to HTS (Property & Environment) Ltd subject to the final HTS (P&E) Business Plan being approved in November 2016.
- B** The Shareholder Sub Committee acknowledges the significant progress made towards the establishment of an operational company budget for HTS (P&E) Ltd.

REASON FOR DECISION

- A** A report was presented to the HTS (P&E) Board on 28 June 2016 which set out the details of the first draft operational budget for the new company (please see Appendix 1) and the associated start-up costs (please see Appendix 2) required to enable adequate preparations for the commencement of trading with effect from 1February 2017.
- B** Under the agreed terms of reference for the Sub- Committee it has been agreed that it will –

“Receive financial and performance monitoring reports and accounts”

Although not yet formally trading, the establishment of the draft company budget is a key financial report as is the requirement for a loan facility to enable company set-up to be undertaken successfully. The report has therefore been presented to the Sub-Committee for review and to seek support for the loan advance to be agreed by the Council’s Cabinet at the meeting on 21 July 2016.

ISSUES/PROPOSALS

1. The financial work has focussed mainly on the trading information available from the JVCo for the 2014/15 financial year covering the period 1 July 2014 to 30 June 2015 (a full trading year) and has been carried out as a project undertaken by a consultant employed through the East Of England LGA talent bank.

2. The financial work has been modelled from the original options appraisal figures used to provide the data to support the Cabinet decision last year and has been uplifted by appropriate inflation indices to develop a year one budget for HTS with effect from 1 February 2017.
3. The outcome of the remaining procurements and the finalised TUPE transfer arrangements for the circa 350 staff involved in the delivery of services could have a marginal adverse or positive impact on the figures presented in the draft operational budget but the final budget will be worked up during the next five months and a final budget proposal completed post the key procurement exercises in readiness for the company to start trading in February 2017.
4. Whilst affordability will be kept under review during the development and finalisation of the company operational budget, start-up funding will be essential to the successful establishment of the business. A loan of up to £1.4million is currently included in the operational budget. The budget also shows that the repayment of such a loan is affordable. The current expected calls against the start-up funding is estimated at £1.2million.
5. The Shareholder Sub Committee is invited to consider the draft operational budget and recommend to the Cabinet that a loan facility of up to £1.4million is made available to the company to enable all associated company start-up costs to be funded and amortised over the initial five years trading period by HTS (Property & Environment) Ltd.
6. It is anticipated that the majority of these issues will be resolved during the next five months in line with the HTS (P&E) implementation plan. Once complete an updated and fully revised operational budget will be presented to the Board in December 2016 for final approval including the final value of the start -up funding to be financed from the loan facility being requested from Harlow Council, with a further subsequent report to the Sub-Committee.

Background Papers

None

Glossary of terms/abbreviations used

None