

**REPORT TO:** CABINET

**DATE:** 21 JULY 2016

**TITLE:** LOAN ARRANGEMENTS TO HTS  
(PROPERTY & ENVIRONMENT) LIMITED

**PORTFOLIO HOLDER:** COUNCILLOR JON CLEMPNER

**LEAD OFFICER:** MALCOLM MORLEY, CHIEF EXECUTIVE  
(01279) 446004

**CONTRIBUTING OFFICER:** SIMON FREEMAN, HEAD OF FINANCE  
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**This is a Key Decision.**

**It is on the Forward Plan as decision number I006012**

**Call-in Procedures may apply**

**This decision will affect no Ward specifically.**

**RECOMMENDED that:**

- A** Cabinet approves the provision of a loan of up to £1.4m to HTS (Property & Environment) Ltd as working capital for the business.
- B** Authority is delegated to the Chief Executive, in consultation with the Leader of the Council and the Portfolio Holder for Resources, to finalise the detailed negotiation of the facilities agreement between the Council and HTS (Property & Environment) Ltd.

**REASON FOR DECISION**

- A** The provision of the loan will be applied to finance the company set up costs which will ensure that HTS (P&E) LTD is able to initiate trading from 1 February 2017.
- B** The approval of the loan will enable the costs incurred by the company in the months leading up to trading as a new company next February to be financed and repaid or amortised over a period of time which is usual in instances of new start businesses.

**BACKGROUND**

1. Following the Cabinet decision in October 2015, Officers are undertaking the work required to establish a wholly owned Council company to deliver services currently provided by Kier Harlow Ltd.

2. This work has resulted in the establishment of two wholly owned companies, HTS Group Ltd and HTS (Property & Environment) Ltd. The latter being the company vehicle that will be used to facilitate the TUPE transfer of the existing Kier Harlow workforce from 1 February 2017 and to undertake the full range of trading activities currently provided through the JVCo.
3. Governance arrangements have been established with the HTS (P&E) Ltd Board and Shareholder Sub Committee now formalised to oversee the successful transition and ongoing trading of the company.

## **PROPOSALS**

4. It is intended that, subject to Cabinet approval, the loan to be provided by the Council be sourced from Public Works Loans Board (PWLB) borrowing. The loan will then be provided to HTS (P&E) Ltd at a rate determined under the State Aid Loan Repayment Calculation methodology. All costs of the Council will be covered to avoid any state aid issues and interest repayments will be met by payments from HTS (P&E) Ltd to the Council.
5. The loan facility will be unsecured, owing to the fact that there is no parent company with any assets against which to place a charge or seek a guarantee and ultimately the Company is wholly owned by the Council. Whilst this presents risk, the loan funding has been factored in to HTS (P&E) Ltd operational budget plans and is serviceable given the contracted level of service it is proposed that it will provide to the Council.
6. Currently the funding is coming from the Transition Budget and the costs will be transferred to the loan to ensure that HTS start-up costs are borne by the company and to avoid any State Aid concerns or challenge.

## **IMPLICATIONS**

### **Place Services (includes Sustainability)**

Contained within the report.

Author: **Graeme Bloomer, Head of Place**

### **Finance (Includes ICT)**

The Council will raise funds through borrowing to facilitate the loan to HTS (P&E) Ltd (internal borrowing may present itself as an option for the Council in terms of financing the loan but commercial rates will drive the loan facility to HTS (P&E) Ltd due to State Aid requirements. All financing cost associated with the loan will be met through the repayments from HTS (P&E) Ltd.

Author: **Simon Freeman, Head of Finance**

### **Housing**

None specific.

Author: **Andrew Murray, Head of Housing**

**Community Wellbeing (includes Equalities and Social Inclusion)**

None specific.

Author: **Jane Greer, Head of Community Wellbeing**

**Governance (includes HR)**

A binding legal agreement setting out the terms of any loan will be required to protect the Council's interests.

Author: **Brian Keane, Head of Governance**

**Background Papers**

None.

**Glossary of terms/abbreviations used**

PWLB – Public Works Loans Board