

Agenda Item No: 5
Report To: Trading & Enterprise Board
Date of Meeting: 3rd July 2017
Report Title: Draw-down of Loan for A Better Choice For Property Ltd
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Portfolio Holder Cllr. Shorter
Portfolio Holder for: Portfolio Holder for Finance and IT



Summary:

The Council has a £10m loan facility to A Better Choice for Property Limited, the company has previously requested and had approval for the release of 3 tranches of this funding. A Better Choice for Property Limited (the “Company”) now requests the release of the final 2 tranches of the loan facility and this report seeks the release of these tranches.

Key Decision: NO

Significantly Affected Wards:

Recommendations: **The Board is requested to ask the Cabinet to recommend to Council that the next two £2m tranches of the £10m loan facility be made available to the Company**

Policy Overview: Under the Board’s Terms of Reference the Board must recommend to the Cabinet the granting of loans from the Council to the Company.

Without the loan facility being made available to the Company, the Company will be unable to continue to expand its operations and deliver against its business plan. The total £10m loan amount is provided for in the Council’s MTFP.

Financial Implications: Under the Board’s Terms of Reference the Board must recommend to the Cabinet the granting of loans from the Council to the Company.

Without the loan facility being made available to the Company, the Company will be unable to continue to expand its operations and deliver against its business plan. The total £10m loan amount is provided for in the Council’s MTFP.

Legal Implications The legal framework for this transaction is already in place

Equalities Impact Assessment N/A

Exempt from Publication: No

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Draw-down of Loan for A Better Choice For Property Ltd

Introduction and Background

1. On 18th July 2013 Council approved the setting up of the Company and the provision of a £10m loan facility by the Council to the Company. On 17th April 2014 the Company was registered at Companies House and commenced trading.
2. As part of the governance arrangements for the Company, the £10m loan facility is to be made in £2m tranches and each tranche requires the approval of the Council before being made available to the Company.
3. As part of the terms of reference for the Board, the Board must recommend to the Cabinet whether or not to approve any request from the Company for granting of loans from the Council.
4. To date the Company sought release of 3 of the 5 tranches of the facility and has drawn-down £3.645m leaving a balance of £2.355m available to the Company from the £6m previously released by the Council. The Company is negotiating the purchase of a development of 28 units with a value of approximately £5.7m. In order for the Company to complete on this and future purchases it therefore requires the Council to make available for draw-down the next two £2m tranches.

Proposal

5. This report requests that the Board asks Cabinet to recommend to Council that the next two tranches of loan money be made available to the Company.

Implications and Risk Assessment

6. A risk assessment was included in the Company's business plan.
7. The Company reported a profit for the last financial year and also contributed £120,000 to the Council's budget through interest payments on loans. The expansion of the Company's commercial activity is linked to the Council's medium term financial plan as it looks to generate revenues to offset reductions in government grant.

Other Options Considered

8. The Company could decide not to request access to additional tranches of the agreed loan facility. However, in this case, the Company would be unable to continue with the acquisition of this particular development and would then be unable to expand its business in line with the Company's business plan.

Reasons for Supporting Option Recommended

9. The Company forms an integral part of the Council's Commercial strategy and the Council has previously taken a decision to grow the company to support the Council budget. The loan will be secured on the property, reducing the risk exposure.

Next Steps in Process

10. If approved the Company will submit a draw-down request as and when the funds were needed and the necessary documentation will be completed.

Conclusion

11. The Company requests that the Board asks the Cabinet to recommend that the next two £2m tranches of loan money be made available to the Company by the Council.