

**REPORT OF THE SERVICE DIRECTOR – FINANCE, PROCUREMENT &
IMPROVEMENT****LOANS TO ALTERNATIVE SERVICE DELIVERY MODEL ORGANISATIONS****Purpose of the Report**

1. The purpose of this report is to: seek delegation of the authority to approve loans to alternative service delivery model bodies set up by the Council, to the section 151 officer and approve loans to Via East Midlands Ltd and the new Property JV, as described in the report.

Information and Advice

2. Members will be aware that on 20 May 2015 Policy Committee approved the establishment of a joint venture company with CORMAC, a company wholly owned by Cornwall Council, to deliver highways and fleet management services for Nottinghamshire. The company will be called Via East Midlands Ltd and is scheduled to commence operating in July 2016. Since then work has progressed a number of other ASDMs such as the Property Joint Venture with Scape.
3. All such ASDM companies will require working capital in order to operate. This will need to be obtained either through capital contributions from shareholders, or loans from shareholders. As new companies with no trading history, commercial loans would be difficult to obtain. There is already a requirement for a loan to Via East Midlands, and other companies will require loans for working capital as they commence trading.
4. Via East Midlands Ltd must acquire a standard Operator's Licence in order to run its vehicles. One of the requirements of the Traffic Commissioner, which issues the licence, is that the company demonstrates appropriate financial standing (i.e. it has enough money to run its business). The level of funding required is based on the company's vehicle fleet including a margin for fleet growth.
5. This loan requested will be short term, repayable within 10 working days of the first NCC scheduled payment to Via East Midlands Ltd, and at a commercial rate of interest at the equivalent of the prevailing Public Works Loans Board (PWLB) rate (when the agreement is signed) plus 4%. Currently the PWLB equates to 1.27% (note the rate changes daily). The loan will be subject to a guarantee from Cornwall Council and supported by a formal loan agreement to safeguard the interests of the council.

6. The Property JV has identified the need for a £0.2 million loan to fund working capital requirements. This will be for a maximum term of two years and will be at a commercial rate of interest, and also subject to appropriate security based on legal advice and supported by a formal loan agreement to safeguard the interests of the council.
7. There will be a need for Via East Midlands Ltd, and other ASDM companies, to access further loans in future.

Other Options Considered

8. Reports could be brought to Policy Committee for each individual loan, but as funding is often required at short notice, the timescales for this are impractical. Alternatively loans could be exclusively sought from other shareholders or commercially, but these may not be available which could prevent the operation of the new companies.

Reason/s for Recommendation/s

9. Delegation of authority for loans to ASDM companies would enable appropriate quick response to ASDM requirement for funds, and safeguard the operation of the ASDM companies.

Statutory and Policy Implications

10. This report has been compiled after consideration of implications in respect of finance, equal opportunities, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Financial Implications

11. Financial implications are largely covered in the body of the report.
12. The largest risk is potential default on the loans. The loans will only be paid if appropriate security is put in place based on legal advice and supported by a formal loan agreement, to limit the council's risk.

RECOMMENDATION/S

13. It is recommended that approval is given to:
 - a. provide a loan of £350,000 to Via East Midlands Ltd;
 - b. provide a loan of £200,000 to the new Property JV; and
 - c. delegate authority to the Section 151 Officer, in consultation with the Chair of Finance and Property Committee and the Monitoring Officer, to approve loans to ASDM bodies set up by the Council.

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Constitutional Comments (SSR 26/02/2016)

14. All proposals for loans to individuals or outside bodies should be accompanied by an appropriate risk assessment and due consideration of any state aid implications. The recommendations set out in this report fall within the scope of decisions which may be approved by Policy Committee.

Financial Comments (NS 26/02/2016)

15. The financial implications are set out in the report.

Background Papers

None

Electoral Division(s) and Member(s) Affected

N/A