

# **EKH loan - releasing EKH from the loan and writing the loan off**

## **Report for the Individual Cabinet Member Decision**

<b>Date</b>	10 September 2020
<b>Report Author</b>	Chris Blundell, Director of Finance
<b>Portfolio Holder</b>	Cllr Rick Everitt, Leader of the Council
<b>Status</b>	For Decision
<b>Classification:</b>	Unrestricted
<b>Key Decision</b>	No
<b>Reasons for Key</b>	Expenditure not in budget and exceeding virement rules/Significant effect on communities
<b>Ward:</b>	All

### **Executive Summary:**

In order to effect an orderly closure of EKH, the councils need to formally release EKH from its obligations to repay the loans made to it.

### **Recommendation(s):**

1. The the write-off of loans made to EKH totalling £278,000 be approved

### **Corporate Implications**

#### **Financial and Value for Money**

The Council's Financial Standing Orders require the write-off of any debt in excess of £20,000 to be approved by the Cabinet. Given the urgency, the Leader is requested to exercise this function directly.

Loans made to EKH for the single IT system were previously included in the Council's capital programme and were fully financed at the point the loans were made. This means that the cost of making these loans to EKH has already been paid for from the Council's resources.

Therefore, whilst the write-off of this loan will be recognised in the Council's accounts it will not result in a reduction in the Council's usable reserves.

#### **Legal**

Legal - The approach followed is as a result of external legal advice received by the four councils and EKH.

## **Corporate**

The write off of this loan facilitates the Council's decision to bring housing management services back inhouse and to close EKH.

## **Equality Act 2010 & Public Sector Equality Duty**

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.

Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

There are no equalities impact of this decision

## **CORPORATE PRIORITIES**

This report relates to the following corporate priorities: -

- *Communities*

### **1.0 Introduction and Background**

1.1 The four councils (Thanet District Council, Canterbury City Council, Dover District Council and Folkestone & Hythe District Council) that own East Kent Housing (EKH) advanced EKH loans of £223,000 each in 2014 to fund the implementation of a single IT system. The loans were due to be repaid in six instalments from 1 April 2017.

1.2 The costs of the system were higher than expected and implementation took longer, so in 2018 further advances of £92,500 per authority were made to EKH. Repayments were rescheduled to start in April 2019 in equal instalments over seven years. The loans were interest free and are classified as capital expenditure.

### **2.0 The Current Situation**

2.1 Now that the services provided by EKH are being transferred back to the four authorities, the outstanding balances on the loans made to EKH (£278,000 each) need to be written off, as EKH is being wound up and the IT systems transferred to the four councils.

- 2.2 In order to effect an orderly closure of EKH, the councils need to formally release EKH from its obligations to repay the loans made to it. This is to be achieved through a deed of release signed by EKH and each council. This will remove the loans and corresponding the future payment obligations from the balance sheet of EKH and therefore reduce the risk of EKH becoming insolvent.
- 2.3 Once the deed of release is signed and EKH is released from any obligation to repay its loan to the Council, that position needs to be reflected in the Council's accounts. Therefore, the Deputy Chief Executive will authorise the write off of the loan.
- 2.4 Alongside this, separate contracts will be signed between the IT system supplier Northgate and each Council and the system will be split into four separate systems. Further details of the work required and estimated timescales were set out in a report Cabinet on 18 June 2020.

Contact Officer: *Chris Blundell, Director of Finance*  
Reporting to: *Tim Willis, Deputy Chief Executive*

## **Annex List**

## **Background Papers**

*Title: East Kent Council - Cost of ICT System - Report to Cabinet 18 June 2020*

## **Corporate Consultation**

**Finance:** N/A

**Legal:** Tim Howes, Director of Corporate Governance