

East Herts Council Report

Council

Date of meeting: Wednesday, 10 June 2026

Report by: Councillor Carl Brittain – Executive Member for Financial Sustainability

Report title: Proposal from Millstream Property Investments Ltd to Sell the Company to Enable Disposal of All its Properties

Ward(s) affected: All

Summary

At its meeting of 26 February 2025, Council, acting as Millstream's sole shareholder, resolved that the company should sell all its properties. This was because changes in both the local and national financial landscape and regulations rendered the council's capital investment in the company less advantageous to the council than other uses of its monies. The approval did not grant permission to Millstream's directors to sale the company itself in pursuit of this aim. Now that an acceptable offer to acquire the company has been received, the company is seeking the permission of its shareholder (Council) to do this.

RECOMMENDATIONS FOR COUNCIL, that:

- a) acting as Millstream's sole shareholder, Council uses its reserved power, under the Shareholder Agreement with the company, to consent to Millstream's request to sell the company in pursuit of the shareholder's existing resolution that the company disposes of all of its properties.

1.0 Proposal

- 1.1 It is proposed that in order to fulfil the resolution of its shareholder (Council) that it should dispose of all its properties, Millstream is now putting before the shareholder a request for consent to sell the whole company as an acceptable offer, the acceptance of

which will expedite the liquation of the council's investment in the company, has been received.

2.0 Background

- 2.1 At its meeting of 26 February 2025, Council, acting as Millstream's sole shareholder, resolved that the company should sell all its properties. This was because changes in both the local and national financial landscape and regulations rendered the council's capital investment in the company less advantageous to the council than other uses of its monies. In short, the revenue costs of borrowing to fund its capital programme had come to outstrip the revenue income derived by the council from tying up a commensurate amount of capital in Millstream.
- 2.2 Council's decision that Millstream should sell all its properties so as to return the council's capital investment, via the repayment of debt and dividends arising from profits, was reaffirmed at the Council meeting of 4 March 2026.
- 2.3 Members are directed to the Millstream Business Plan reports to Council on [26 February 2025](#) and [4 March 2026](#) for more details of the financial case for property disposal.

3. Reasons

- 3.1 Following the Council decisions discussed above, Millstream commenced disposal of its properties as soon as any existing tenants gave notice. This has led to one sale being completed and two more sales being made subject to contract. Of note, perhaps given the current economic climate and/or exist from the market of some landlords following enactment of the main provisions of the Renters' Rights Act 2025 earlier this year, no further Millstream tenants have handed in their notice to date, which represents a lower turnover rate than previously. This means that the four-month notice period that landlords now need to give under the Renters' Rights Act combined with the void

period pending sale means that individual disposals relying on Millstream to give notice are unlikely to complete before 2027/28.

- 3.2 In March this year, the estate agent handling Millstream's property disposals informed the company that they were aware of two property rental companies who was looking to add to their portfolio in the area. One company fell away, however, following discussion and negotiation between Millstream and the other potential purchaser, via the estate agent, an offer price was received that directors felt was acceptable.
- 3.3 Millstream's directors sought the views of the council's Director of Finance, Risk and Performance on whether the final price offered would, subject to Council approval, be acceptable to the council based on assumptions about income from Millstream and the anticipated timescale disposal of the company would allow the council to gain a capital receipt. It should be noted that if Council approves disposal of the company, Millstream will remain open to any other higher offers prior to progressing the current one.
- 3.4 Having satisfied themselves that the offer price for the company was acceptable in terms of the council's budget assumptions, the company convened a Shareholder Advisory Group meeting (of the three elected members nominated to the group) at which it informed the council that it wished to dispose of the company in pursuit of the shareholder's (Council's) wish to liquidate its investment in the company. The members of the Shareholder Advisory Group, having taken advice from the council's Director for Finance, Risk and Performance agreed that the matter should be put to Council for consideration.
- 3.5 While consent has been granted by Council to Millstream specifically to dispose of its properties, that consent did not make explicit that the directors of the company could sell the whole company.

- 3.6 The Shareholder Agreement between the council and the company is framed in such a way the company cannot take significant decisions, as itemised in the Agreement, without the written consent of the shareholder (Council). Thus, although disposal of properties could be inferred to include disposal of the company, that this was not explicitly included in the consent to sell properties granted by Council on 26 February 2025, the matter is now before Council for consideration.
- 3.7 EXEMPT Appendix A gives the financial details of the proposed company disposal. It should be noted that members are being asked to consider the proposal to give consent to disposal of the company; members are not being asked to agree the disposal price nor give approval of the specific purchaser – neither matter is reserved for the shareholder – although, of course, members may take into consideration these details in determining whether to consent to the sale of the company.

Would disposal represent a good financial outcome for the shareholder?

- 3.8 It is the company directors' view that the disposal of the company would represent a good financial outcome. Of note:
- the directors twice negotiated up the offer price
 - the price is favourable when compared with the sales prices achieved for individual sales in the open market – see EXEMPT Appendix A
 - the legal costs are likely to be lower for the company disposal than sale of individual properties – see EXEMPT APPENDIX A.
- 3.9 The council's Director of Finance, Risk and Performance has confirmed that the final offer price is in keeping with assumptions about income from Millstream's disposals included in the council's budget projections and that disposal of the company would bring

forward the receipt to the council, to the council's financial advantage – this is illustrated in the EXEMPT Appendix A.

3.10 Millstream's directors are aware that disposal of a company will require specialist legal and financial/tax treatments as it is more complex than simply disposing of individual properties. Thus, the directors have already:

- instructed their longstanding auditors and accountants, Ensors, to ready themselves, should Council approve company disposal, to structure the deal in the most tax way possible
- sought fee estimates from suitably qualified and experienced legal practices.

4.0 Options

4.1 Do not approve Millstream's proposal to sell the whole company in pursuit of Council's resolution that the company should dispose of all of its properties. NOT RECOMMENDED as work by the directors of the company as scrutinised by the Director for Finance, Risk and Performance and the three elected members on the Shareholder Advisory Group indicates that there are distinct benefits of selling the company to achieve a timely disposal of all properties when compared with individual sales as already approved by Council.

4.2 Seek to instruct Millstream's directors to dispose of the company on different terms. NOT RECOMMENDED as Council has no legal basis within the Shareholder Agreement to do this and so risks its actions being ultra vires. Members can be assured that (a) Millstream's directors have already negotiated the price upwards, (b) the directors will commission specialist and legal and financial advice to ensure the sale proceeds on the most advantageous terms for the company and the shareholder and (c) the council's Director of Finance, Risk and Performance has confirmed that the sales price is commensurate with assumptions of the proceeds of property disposals already built into the

council's budgets and would enable the council to benefit from the receipt earlier than under the individual sales option.

5.0 Risks

- 5.1 Millstream's directors have identified a series of risks and accompanying mitigations.
- 5.2 First, as with any commercial transaction, there is a risk of the deal falling through. This risk is being mitigated by the company engaging suitably experienced legal and financial specialists to expedite the transaction and thus, it is anticipated, maintain the confidence of the buyer.
- 5.3 Second, there is a risk that the buyer will seek to reduce the price as the transaction proceeds. This risk is being mitigated by (a) having already shared valuation data with the purchaser prior to arriving at an acceptable offer and (b) as has been the case throughout Millstream's operation, keeping all property-related compliance checks and documentation fully up-to-date so that there is limited opportunity for the purchaser to claim unforeseen liabilities that will need to be reflected in the price.
- 5.4 Third, directors' limited experience of company disposal could lead to a disadvantageous outcome. This risk is being mitigated by commissioning legal and financial/tax specialists. Of note, Ensors, who have been the company's auditors and accountants since 2020 will be engaged, should Council approve company disposal, to handle the financial aspects of the transaction. Ensors have established an in-depth understanding of the company and have, for example, already entered into dialogue with the company about how to legitimately minimise any tax leakage.

6.0 Implications/Consultations

- 6.1 The directors have consulted the Shareholder Rep (the Chief Executive), the Director for Finance, Risk and Performance and the three elected members on the Shareholder Advisory Group

about the proposal to sell the company. All these consultees have endorsed seeking the Shareholder's (Council's) consent to sell the company.

Community Safety

None arising directly from this report.

Data Protection

None arising directly from this report.

Equalities

None arising directly from this report.

Environmental Sustainability

None arising directly from this report.

Financial

The financial aspects of the disposal are covered in the EXEMPT Appendix A. In summary, the Director for Finance, Risk and Performance has confirmed that the anticipated proceeds of selling company accord with the assumed income to the council from individual property sales already built into the council's budgets.

Health and Safety

None arising directly from this report.

Human Resources

None arising directly from this report.

Human Rights

None arising directly from this report.

Legal

The matter before Council, acting as Millstream's shareholder, is whether to approve the company's wish to dispose of the company in

pursuit of Council's resolution made at its meeting of 26th February 2025 that the company sell all its properties so that the council could liquidate its investment in the company.

Paragraphs 10.1 and 10.1.5 of the Shareholder Agreement between the council and the company state, when read in combination, that '*no action shall be taken or resolution passed by the Company or any Group Member of the Company in respect of any of the following matters except with the prior written consent of the Shareholder:... 10.1.5 the sale, transfer or disposal of the whole or a substantial part of the Business, or any dilution of the Company's interest in any Subsidiary Undertaking;...*' This part of the Shareholder Agreement has the effect of reserving for the shareholder (Council) the final say on disposal of the company itself.

It may be noted that the decision by Council on 26 February 2025 to dispose of the properties relied on this same reserved power in the Shareholder Agreement and thus one interpretation could be that selling the whole company itself could come within the meaning of the existing approval granted by Council that Millstream '*disposes of its properties*'. This, however, is open to challenge as, even though the minutes of the 26 February 2025 meeting show that during discussion the Executive Member for Financial Sustainability gave his opinion that '*it was the intention to wind up the company when properties had been disposed of*', the Shareholder Agreement is framed in such a way that the shareholder (Council) '*shall take all such steps and do all such acts and things as may be necessary or desirable, including, without limitation, exercising all voting and other rights and powers of control available to it in relation to the Company, so as to procure... that at all times during the term of this Agreement no action shall be taken or resolution passed by the Company or any Group Member of the Company in respect of any of the following matters except with the prior written consent of the Shareholder*'. The intention of this clause is clearly that the shareholder (Council) shall not enable the company to take any of the reserved, substantive decisions without its express permission. Thus, as existing

approval granted by Council does *not* explicitly cover the sale of the whole company, it is apparent that the company cannot now proceed with such a sale without Council's explicit permission.

Specific Wards

No.

7.0 Background papers, appendices and other relevant material

7.1 [Council report - 26 February 2025](#) and [Council report - 4 March 2026](#)

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