

# Cabinet

25 January 2022

## Establishment of WPDG Subsidiary

### Recommendation(s)

That Cabinet:

1. Approves the establishment of a subsidiary company by Warwickshire Property and Development Group Limited (**WPDG**) for the delivery of estate management services.
2. Authorises the Strategic Director for Resources to undertake any arrangements he considers necessary to implement the above approval.

### 1. Executive Summary

- 1.1 On the 8 July 2021 Cabinet decided to transfer the estate management services to WPDG and:

- (a) *Approve[d] the transfer of estate management services in relation to those properties leased to tenants by the County Council, and identified in this report as being within scope, to the Warwickshire Property and Development Group (WPDG).*
- (b) *Approve[d] the operating arrangements as set out in Section 4 of this report*
- (c) *Authorise[d] the Strategic Director for Resources to take such steps as he considers necessary to implement these arrangements and, in consultation with the Portfolio Holder for Finance and Property, to increase the scope of estate management services provided by WPDG where he considers that this will deliver further benefit to the Council.*

- 1.2 As per the Cabinet report dated 28 January 2021 and the Business Plan appended thereto, WPDG proposes to provide the estate management services through a subsidiary company. The establishment of WPDG envisaged that subsidiary companies could be established as part of the company's operating model. The proposal to establish a separate subsidiary company through which estate management services would be provided back to the Council is considered to be the most tax efficient way for WPDG to provide these services and provides the opportunity for the subsidiary to expand its business in this area over time in line with the company's business

plan as new developments come on stream and are built out. The provision of services to the Council via the subsidiary does not materially impact the Council as the arrangement would still be subject to a contract for services which would set out the Council's requirements. In addition, the establishment of the subsidiary does not prejudice the ability of the Council to rely on the Teckal exemption which allows the Council to make a direct award to WPDG to provide these services back to WCC through its subsidiary.

- 1.3 In accordance with the Shareholder's Agreement between the Council and WPDG, any decision relating to WPDG "*Forming any subsidiary or acquiring shares in any other company or participating in any partnership or incorporated joint venture vehicle*" is a 'Reserved Matter', which requires Cabinet approval.
- 1.4 In establishing WPDG, the Council established an additional company to safeguard a particular company name. Now that WPDG has been established, this company is now redundant and the proposal is that subject to Cabinet approval, this company would be transferred to WPDG and established as its subsidiary with a name change to reflect the nature of the services to be provided by it. The alternative option would be for WPDG to establish its own separate company however this is not considered to be a cost effective or efficient approach given the Council has a redundant company for which it no longer has use.

## **2. Financial Implications**

- 2.1 There will be limited financial implications in establishing and transferring the subsidiary to WPDG. These will be limited to the costs associated with officer time in relation to preparing the necessary documents and nominal fees to register the transaction with Companies House.
- 2.2 There are no additional financial implications for receiving services by way of the subsidiary rather than WPDG.

## **3. Environmental Implications**

- 3.1 None

## **4. Supporting Information**

- 4.1 None

## **5. Timescales associated with the decision and next steps**

- 5.1 **January 2022**

### 5.1.1 Transfer of subsidiary to WPDG

## 5.2 March 2022

### 5.2.1 Subsidiary operational and providing estate management services to WCC

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The report was circulated to the following prior to publication:

The Chair and Party Spokes of the Resources and FRS Overview and Scrutiny Committee