

Cabinet

10 March 2022

Establishment of a WPDG Subsidiary Development Company

Recommendation(s)

That Cabinet:

1. Approves the establishment of a subsidiary company by Warwickshire Property and Development Group Limited (**WPDG**) to operate as a commercial and residential development company.
2. Authorises the Strategic Director for Resources to take any steps he considers necessary to implement the above approval.

1. Executive Summary

- 1.1 On 25 January 2022 Cabinet approved the WPDG Business Plan for 2022/26. Within that Business Plan, amongst other things, WPDG proposed to carry out the development of a number of surplus sites for Warwickshire County Council (the **Council**). WPDG proposed to deliver its objectives using a group of three companies, to ensure that the various risks associated with the different activities of the group as a whole could be appropriately ringfenced and managed. Those companies were a group/holding company (WPDG) and two subsidiary companies, being a management company and a development company.
- 1.2 The establishment of WPDG envisaged that subsidiary companies could be incorporated as part of WPDG's operating model. A subsidiary providing estate management services to the Council was approved by Cabinet on 25 January 2022. A development company (the **Development Company**) is now required to enable WPDG to commence the development of the first site in accordance with the company structure in the approved Business Plan.
- 1.3 There will be no material impact on the Council in WPDG providing the proposed developments through a subsidiary company as appropriate agreements will be in place to regulate the arrangements and protect the Council's interests. Further, the establishment of the subsidiary does not prejudice the ability of the Council to use WPDG to provide services back to Council through its subsidiary. Any control mechanisms that the Council has over the developments through WPDG would be mirrored in the governing documents of the Development Company.
- 1.4 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.

- 1.5 The proposal is for the Development Company to be created by WPDG with Council officers having oversight through the WPDG Governance Group and ensuring compliance with the Shareholder’s Agreement.

2. Financial Implications

- 2.1 There are no direct financial implications for the Council in establishing the Development Company. Officer time/ resource will be required to approve the company documentation and ensure the Development Company is bound into the terms contained within the Shareholder’s Agreement to protect the Council’s interests.
- 2.2 The three company structure set out in the business plan, which will be put in place subject to approval of the recommendation, is a tax efficient model of operation and will support the delivery of the financial benefits of WPDG included as part of the Council’s Medium Term Financial Strategy approved in February 2022.

3. Environmental Implications

- 3.1 None

4. Supporting Information

- 4.1 None

5. Timescales associated with the decision and next steps

- 5.1. Subject to approval of the recommendations the Development Company subsidiary company is expected to be established by WPDG and operational from April 2022.

6. Background Papers

- 6.1. None

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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