

Resources and Fire & Rescue Overview and Scrutiny Committee

4 December 2024

Warwickshire Property & Development Group (WPDG) Performance Update

Recommendation

That the Resources and Fire & Rescue Overview and Scrutiny Committee considers and comments on the update on the current performance of the Warwickshire Property and Development Group (WPDG) against their 2024 Business Plan, including the current forecast financial performance of WPDG, which is still projected to meet the Company's financial contribution over the life of the current Council MTFS.

1. Background

- 1.1. WPDG is a company wholly owned by Warwickshire County Council. Its structure includes property development and property management subsidiaries in addition to a 50:50 joint venture with Countryside Homes Plc (with 30% owned by the Council and 20% by WPDG) created to support the Council's objectives in relation to regeneration and renewal, along with ensuring best use of assets.
- 1.2. WPDG submits an annual business plan for approval by Cabinet, and delivery against this business plan is monitored through the year via an Officer led Governance Group as well as a Member Oversight Group. It was agreed as part of the Council's governance for WPDG that an update on the financial performance would be brought for consideration to the Resources and Fire & Rescue Overview and Scrutiny Committee twice a year.

2. Executive Summary

- 2.1. WPDG's financial performance for 2024 is positive overall; despite some delays to specific sites due to factors beyond the company's control, with the company maintaining strong financial control of its activity. See table below for specific key performance indicators.
- 2.2. The delays to site development, will have an impact on the timing of when the Council ultimately receives the financial benefits from these schemes but current changes in phasing are not envisioned to have a material impact on the MTFS. The performance against project timelines is already reported to Overview & Scrutiny (O&SC) in the Performance Management Framework

reports submitted quarterly. Paragraph 4.1 sets out the current metrics and performance against them. The current position against the current annual business plan can also be seen in the table at paragraph 3 below.

- 2.3. Current phasing (including the development delays noted) of WPDG projects and their associated financial returns to the Council, will result in **£2.473m** of WPDG income expected in 2024-2025, being delivered later in the MTFS period. This will be met in the current year through the Commercial Risk Reserve and so there is no immediate impact to the MTFS.

3. Performance Against Approved WPDG Business Plan

WPDG 2024 Performance Against Approved Business Plan		As at 3rd Quarter			Measure Status	Comment
Performance Measure	Units	Business Plan	Forecast	Variance		
Programme - no of Site-Specific Business Cases Developed and Approved at WPDG Board	No. Business Cases	5	3	-2		Development of a few sites delayed due to project issues beyond control of company (i.e. planning delays). 2 sites already approved by Cabinet in 2024-25 1 site has been brought forward to offset delays associated with other planned sites.
Total Borrowing levels	£'000 000s	£16.665	£ 8.260	-£ 8.405		Borrowing profile consistent with plan against approved site-specific business cases.
Working Capital Borrowing	£'000 000s	£ 1.879	£ 1.500	£ 0.379		On Track - as per Business Plan.
Finance - Profit before Interest (Cumulative year to date)	£'000 000s	-£ 0.362	-£ 0.262	-£ 0.100		Variation due to timing of site-specific business cases. No material impact to current Council MTFS.

4. Overview & Scrutiny Governance Framework

- 4.1. The following metrics are included within the Performance Management Framework in relation to WPDG and were included in "Integrated Performance Report Quarter 1 2024/25", September 25th, 2024.

Measure Name	Latest Actual	Target	Measure Status	Direction of Travel	Service Forecast for next period
% Delivery of projected output by Warwickshire Property & Development Group	50	100	Not on Track	N/A Insufficient Trend Data	Not on Track
% of site-specific business cases approved by Cabinet for Warwickshire Property and Development Group as per the Group's approved annual business plan	0	100	Not on Track	N/A Insufficient Trend Data	Not on Track

*cumulative actual or end of year target

4.2. Whilst performance is shown as “Not on Track” for both reportable measures, both are reporting improving performance over next reporting period. The Q1 Performance Report confirmed that at this time, there are no measures which need highlighting.

5. Financial Implications

No Immediate Impact

5.1. There is no immediate impact on the Council's MTFS arising from WPDG Business Plan performance, and risks in terms of timing of dividends are covered via the Commercial Risk Reserve established for that purpose. The Commercial Risk Reserve exists to manage risk of commercial activity undertaken by the Council underperforming or being delayed. Officers will continue to monitor Company performance on an ongoing basis. There is a robust governance framework in place in relation to WPDG which incorporates officer and member oversight and detailed due diligence on a site-by-site basis.

Phasing of Benefits

5.2. The on-going MTFS target for net returns from WPDG and the JV is **£3.415m** consisting of dividends, interest on loans and other income streams such as mineral extraction. Current phasing on WPDG development projects noted in the Performance report, leaves a gap of **£2.473m** against WCC's budget target in 2024/25 for anticipated net returns. This will be covered by drawing down an equivalent sum from the Commercial Risk Reserve. This will be made up in future years through the reprofiled returns from WPDG and Develop Warwickshire which exceed the MTFS target.

5.3. As reported to Cabinet in March 2024 as part of agreeing the 2024 WPDG and JV Business Plans, the projected returns in 2024/25 to 2026/27 have reduced against the MTFS target because of changes in approach to the WPDG and JV delivery models but this is also compensated for in later years from forecast annual returns to the Council exceeding the **£3.415m** target by 2027/28. Due to the timing of sites being developed and sold to the market, returns will not be smooth and consistent, therefore, the Commercial Risk Reserve is required to manage the timing differences of returns compared to the ongoing MTFS target. From 2025/26 the average return to the Council to the end of the WPDG business plan period is **£4.775m** suggesting the

£3.415m MTFS target can continue to be met annually from 2027/28 over the life of the WPDG Business Plan.

- 5.4. The 2025 WPDG Business Plan is currently undergoing due diligence by Council Officers and will be considered by Cabinet in January 2025. This includes opportunities for WPDG and Develop Warwickshire building activity to be accelerated in future years to ensure the overall MTFS target is met. This will be considered in detail including in relation to viability and deliverability and the availability of sites. Each specific site included will then be subject to further due diligence as detailed project proposals are brought forward to Cabinet.

Commercial Risk Reserve

- 5.5. The current balance in the Commercial Risk reserve is **£9.482m** which primarily underpins risk associated with WPDG and Warwickshire Investment Fund (WIF). As noted above, the reduced income target receipts for 2024/25 are being mitigated using the Commercial Risk Reserve in 2024/25. The current predicted balance on the Commercial Risk reserve at the end of 2024/25 is **£6.811m**, and this estimate includes all current WPDG and WIF activity within the current financial year.

6. Environmental Implications

- 6.1. No environmental implications arise directly from this report. Environmental implications are considered in relation to each site-specific business case.

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