

Committee: Cabinet

Agenda Item

Date: 10 December 2015

12

Title: Special Purpose Vehicle

Portfolio Holder: Cllr Howell

Item for decision

Summary

1. This report seeks in principle approval of Cabinet for setting up as a wholly-owned subsidiary of the Council a Special Purpose Vehicle (SPV). The purpose of the SPV will be to develop a range of commercial opportunities, including property development of Council-owned General Fund land.
2. The initial loan to the SPV would be made by way of a new reserve funded from the Strategic Initiatives Fund.
3. Such a SPV will take several months to set up and there will need to be appropriate legal advice obtained on the best business model to adopt to ensure maximum income for the council.

Recommendations

4. The Cabinet is requested to
 - Approve the principle of establishing a SPV.
 - Instruct the Chief Financial Officer to establish a SPV Reserve in readiness to provide a loan to the SPV.
 - Require officers to bring an interim report to Cabinet setting out the draft Articles of Association and likely costs and timescales for establishing the SPV.

Financial Implications

5. The establishment of the SPV will be funded from the initial allocation in the reserve.

Background Papers

6. None

Impact

Communication/Consultation	None
Community Safety	No specific implications

Equalities	None
Health and Safety	No specific implications
Human Rights/Legal Implications	No specific implications
Sustainability	No specific implications
Ward-specific impacts	No specific implications
Workforce/Workplace	None

Background

7. As government funding reduces councils are looking increasingly at alternative ways of generating income. A number of councils similar to ourselves have established SPVs for a range of commercial purposes.
8. The SPV would enable the Council to explore the opportunity of generating additional sources of income and achieve higher rates of return on our investments than are currently being achieved through non-property based options. Setting up a separate, wholly-owned subsidiary of the Council in the form of a SPV for housing and commercial purposes (although not restricted to these) would enable the Council to engage in direct development of General Fund land it owns and to also transfer assets into the SPV.
9. The SPV is likely to be established as a company limited by shares with the Council being the sole shareholder. It would be controlled by a Board of Directors with the power of appointment and removal resting with the shareholder. Key decisions about the operation of the SPV will be reserved to the Council as the shareholder.
10. The Council will need to sign Articles of Association. It is common practice for a company's objectives to be unrestricted, which means that it would have the constitutional capacity to carry out any business which the directors choose.

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
The SPV does not deliver the income expected	2 Some councils have struggled to make a success of SPVs	1 As the sole shareholder the properties would be sold and the monies returned to the council	Advice is being sought at all stages. As this is in effect a trial it can be terminated at any point and the properties sold

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.