

Committee: Cabinet

Agenda Item

Date: 26 May 2016

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Title: Aspire

Portfolio Holder: Cllr Howell

Item for decision

Summary

- 1) At the Cabinet meeting in December 2015 it was agreed in principle to establish a special purpose vehicle (SPV). The SPV would be a wholly-owned subsidiary of the Council with the purpose of the SPV will be to develop a range of commercial opportunities, including property development of Council-owned General Fund land.
- 2) This report seeks Cabinet approval to now establish a holding company and three subsidiaries.

Recommendations

- 3) The Cabinet is requested to
 - i) approve the establishment of the following companies
 - a) Aspire Holdings (UDC) Ltd
 - b) Aspire Rentals Ltd
 - c) Aspire Land Agreements Ltd
 - d) Aspire Property Services Ltd.
 - ii) Agree the Articles of Association for each company as attached
 - iii) Appoint the following directors to each company
 - a) Richard Auty (UDC Assistant Director of Corporate Services)
 - b) Nicola Wittman (UDC Assistant Director of ICT and Facilities)
 - c) Adrian Webb (UDC Director of Finance and Corporate Services)

Financial Implications

- 4) There are no financial implications in setting up the companies.

Background Papers

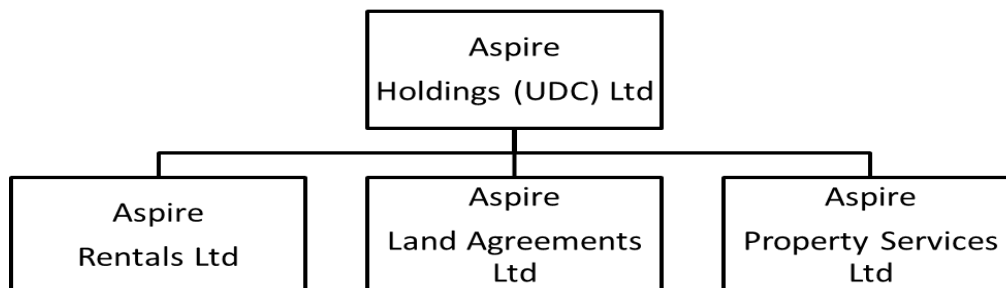
- 5) None

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

- 6) As government funding reduces councils are looking increasingly at alternative ways of generating income. A number of councils similar to ourselves have established wholly owned companies for a range of commercial purposes.
- 7) A significant amount of work has been undertaken in establishing the opportunities that exist and therefore the companies that need to be set-up. It has also been decided that there will be a holding company and then a number of subsidiaries. The proposal before Cabinet is to establish the following structure and companies.



- 8) **Aspire Holdings (UDC) Ltd** – is the overarching holding company that brings together all of the other companies. It will not operate in its own right.
- 9) **Aspire Rentals Ltd** – will be a business aimed at letting properties on the open market at full market rents. This will either be by way of developing Council owned land and/or buying existing private sector properties.
- 10) **Aspire Land Agreements Ltd** – is a company aimed at entering into agreements with landholders which may in the future enable the company to develop the land.

- 11) **Aspire Property Services Ltd** – is a company which will provide repairs and maintenance services to private landlords.
- 12) The Articles of Association for each company set out the requirement that three directors be appointed. Advice given is that should the company ever need to borrow from or partner with private sector businesses it is looked on more favourably if the board of directors is made up of Council Officers only. It is therefore proposed that the directors be:
- a) Richard Auty – Assistant Director Corporate Services
 - b) Nicola Wittman – Assistant Director ICT and Facilities
 - c) Adrian Webb – Director of Finance and Corporate Services

The Articles, which are attached to this report, have all been reviewed and agreed by the Assistant Chief Executive – Legal.

- 13) The Cabinet will fulfil the role of the shareholder board and they have specific responsibilities including
- a) The appointment or removal of any director.
 - b) Entering into (or agreeing to enter into) any borrowing arrangement on behalf of the Company and giving any security in respect of any such borrowing (including creating any encumbrance over the whole or any part of the undertaking or assets of the Company or over any capital of the Company.
 - c) Entry by the Company into any partnership or other profit share arrangement.

Future Steps

- 14) Formal registration of the companies will take place and bank accounts etc. established.
- 15) There is a significant piece of work to be undertaken around taxation. There are several ways in which the companies can operate and it is important that tax advice is obtained prior to trading commencing. This advice will be sought once the role of xxx in the Finance Team is filled as this role will be responsible for the day to day funding and tax liability of Aspire.
- 16) Over the autumn period there will be considerable work undertaken in preparing group accounts for the company ready for inclusion in the Council accounts. This responsibility will sit with the Finance Manager role which at present is vacant.
- 17) At the September Cabinet meeting it is intended to bring forward the initial proposals for Aspire Rentals Ltd. This will include the request for funding to be allocated.

- 18) Opportunities for Aspire Land Agreements Ltd are currently being sought and once identified these will be brought to Cabinet. This again will include the request for funding to be allocated.
- 19) Aspire Repairs and Maintenance Ltd will commence operating as soon as the taxation position is determined.

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
Aspire 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.