

VICTORIA SQUARE WOKING LTD – SHARE PURCHASE

Executive Summary

This report seeks approval from the Executive to authorise the Share Purchase option available to the Council under the Shareholders' Agreement dated 25 April 2017 in relation to Victoria Square Woking Limited.

Recommendations

The Executive is requested to:

RESOLVE That

- (i) the Council exercise its option to purchase the shareholding from Moyallen Holding Limited; and
- (ii) the Section 151 Officer and Monitoring Officer be delegated powers to finalise and complete all necessary legal agreements.

Reasons for Decision

Reason: To enable the Council to rationalise its assets and seek the best value for return on its investment.

The Executive has the authority to determine the recommendation(s) set out above.

Background Papers:	None.
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1.0 Introduction

- 1.1 Following the decision of the Executive in November 2016, the Council entered into a joint venture with Moyallen Holdings Limited and Victoria Square Woking Limited. A Shareholders' Agreement was completed on the 25 April 2016 with Moyallen holding 52% shareholding and the Council with 48% of the shareholding.
- 1.2 The Victoria Square development was a major step towards the regeneration of Woking Town Centre. The project comprised of 429 build to rent apartments, 189 room Hilton Hotel and parking spaces as well as retail and leisure spaces. In December 2022, the development was valued at £193.25m on completion. As part of the Improvement and Recovery Plan, the Council has been reviewing its assets and seeking to ensure it maintains the best value to the public purse.
- 1.3 The Shareholders' Agreement provides the Council with the option to 'acquire all of Moyallen's shares on completion of the Victoria Square Development.' The purchase value of the shares stands at £15,600 and it would enable the Council to become 100% shareholder of the company.
- 1.4 There has been significant delay in the complete of the development and as the option is contingent on the completion it will require a slight variation to the option clause to allow for purchase at an earlier date.

2.0 Commercial case for the Share Purchase

- 2.1 The Improvement and Recovery Programme (IRP) published in August 2023 recognised that Woking Borough Council (WBC) is in a challenging financial position largely through historic commercial property investment and regeneration projects which have resulted in unsustainable levels of current borrowing.
- 2.2 The IRP commercial workstream will set out plans for the Council owned companies, to realise the best possible returns from asset sales under the constraints of time and market conditions to ***extract the Council from unaffordable commitments, whilst protecting the public purse, and optimising the value of existing assets.***
- 2.3 To ensure the Council is able to mandate that its preferred plans can be expedited by the companies, using its powers as a shareholder as is necessary, it is desirable that WBC assumes fully ownership and control of Victoria Square Woking Limited (VWSL) and its subsidiaries. The Council is currently a minority shareholder but is in a position to assume full ownership through an amendment to the Shareholders Agreement which has been negotiated with Moyallen.
- 2.4 It is important to note that the value in owning the shares is not a financial one, per se. However, 100% ownership will give the Council the power to authorise disposals quickly and efficiently in response to opportunities and market conditions that may be problematic under the current ownership structure. It will also allow the Council to make changes to the Articles of the Company to reflect best practice and to protect the Council's interests as shareholder, client, and lender. It will also allow the Council to make changes to the company group structure when this becomes necessary or desirable, and is very much in line with Commissioners' and other Government stakeholders' expectations.
- 2.5 Exercising the option to purchase the Moyallen shareholding will enable VSWL to consolidate into the Council's group accounts and away from the Moyallen Group and accounts where it currently sits. It is expected that this will provide greater control, oversight and transparency to all Council stakeholders.

3.0 Corporate Strategy

- 3.1 To exercise the option will allow the Council to have 100% shareholding and enable more control and flexibility for the Council to deliver the aims of the IRP.

4.0 Implications

Finance and Risk

- 4.1 Whilst levels of borrowing at Victoria Square Woking Limited has been widely reported, the joint venture referred to in this report does not result in Moyallen Holdings Limited sharing any of the existing debt burden.
- 4.2 The main cash implication for the Council is the £15,600 it is going to cost to buy the shares in question from Moyallen Holdings Limited. The Council's existing operational funding will be used to fund this purchase.
- 4.3 The Council's Finance Director / S151 Officer agrees that it would be beneficial to acquire 100% shareholding and enable more control, agility and flexibility for the Council to deliver its strategic aim to reduce its financial burden and seek the best value for the asset. The s151 Officer also confirms that this share transaction does not alter any of the other assets, liabilities or costs associated with Woking BC's interests in VSWL Limited.
- 4.4 The Company and its assets and liabilities will have to be consolidated into the Council's Group accounts in 2023/24, but it is likely that this would have to be done in any case as part of work with the Council's new auditor's Grant Thornton. This work is being built into the resource planning for the Finance Team.

Equalities and Human Resources

- 4.5 There are no equalities and human resources implications.

Legal

- 4.6 A formal deed of variation to the original Shareholder's Agreement and a Share Purchase Agreement will be required.
- 4.7 Once completed the Company's Articles of Association will need to be amended and updated.

5.0 Engagement and Consultation

- 5.1 The share acquisition has been developed in conjunction with the VSWL Board.

REPORT ENDS