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Date: 12 May 2010

Dear Member

GOVERNANCE AND AUDIT COMMITTEE TRADING ACTIVITIES SUB GROUP - MONDAY, 17 MAY 2010

I am now able to enclose, for consideration at next Monday, 17 May 2010 meeting of the Governance and Audit Committee Trading Activities Sub Group, the following report that was unavailable when the agenda was printed.

Agenda No	**Item**
7.	**Update on East Kent Opportunities Limited Liability Partnership (** **(Pages 1 - 6)**

Yours sincerely

Peter Sass
Head of Democratic Services & Local Leadership

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BY:	**Barbara Cooper, Director of Regeneration & Economic Development** **David Lewis, Director of Property**
TO:	**Governance & Audit Trading Activities Sub Group**
Date:	17 May 2010
Subject:	East Kent Opportunities LLP
Classification:	Unrestricted

Summary: This report contains a background note and update on the structure and governance of EKO together with details of financial matters and progress on core objectives.

Background:

1. (1) In the mid 1990s, as part of the East Kent Initiative, three major employment sites were identified as having a key role to play in addressing the economic development and employment issues prevalent in Thanet. These sites were Thanet Reach, Eurokent and Manston Business Park. Manston was at the time controlled by Wiggins plc, who subsequently also owned and managed the nearby airport. Manston Business Park and the Eurokent sites were subsequently to become the key holdings for the EKO joint venture.

(2) KCC's initial involvement with Manston involved the construction of Columbus Avenue at a cost of £1.52 million. These infrastructure works were funded through the European Regional Development Fund and the Single Regeneration Budget, and jointly managed by Thanet District Council (TDC) and KCC. These works were completed in 1997.

(3) In Spring 2006, the opportunity arose to acquire the undeveloped area of Manston Business Park, amounting to some 40 acres of developable land, from the Administrator of Planestation plc, Wiggins plc having rebranded.

(4) A risk was identified that a speculative purchaser could landbank the site preventing the development of a key Thanet Central Island employment site in which the public sector had a substantial financial interest. To protect this interest, a decision that the Director of Property be authorised to formally submit a bid and for the Director of Property and the Director of Law and Governance be authorised to negotiate and agree terms to complete the purchase on behalf of the County Council was published as an exempt decision on 31st May 2006. KCC submitted an offer and the land was purchased in June 2006 for the sum of £5.35 million.

(5) The acquisition of the landholdings at Manston demonstrated a commitment by KCC to the regeneration of the Thanet economy as well as recognition of the substantial public sector investment in the site. Development of the landholdings was considered. It was recognised, however, that there was an opportunity to create the critical mass necessary for driving forward the economic development of East Kent, through the creation of a joint venture vehicle incorporating KCC's landholdings and Thanet District Council's landholdings at Eurokent.

(6) The rationale for this was that the value and size of the plots on each site were comparable. The pooling of the assets and efforts to bring them forward could be done in a complementary manner and when appropriate the JV vehicle would be able to raise both infrastructure and development finance if required. An agreement in principle was entered into on the basis that KCC would be reimbursed the costs of constructing the Eurokent Spine road, including any borrowing costs incurred, and then a 50:50 split between KCC and TDC on all subsequent proceeds.

(7) A decision to establish a joint venture vehicle (now known as East Kent Opportunities LLP) was taken by the Leader of the County Council on 16th March 2007.

2. Partnership Structure

2. (1) East Kent Opportunities LLP is a Limited Liability Partnership comprising two members, Kent County Council and Thanet District Council, each holding a 50% interest. The Partnership became fully functioning upon the transfer of the landholdings described above by the members into the Partnership in August 2008.

(2) Each member has three representatives on the Partnership Management Committee, and the business of the Partnership and its operational arrangements are governed by the Members' Agreement dated 22nd August 2008. The Management Committee meets on a regular basis as set out in the Members' Agreement to review progress and make decisions.

(3) The detail of the strategic aims of the Partnership is articulated in the Business Plan which is currently being updated.

(4) In addition to the decision process detailed above, regular reports were made to KCC's Property Board (Member and officer membership) following the decision to purchase Manston. Monthly update reports were provided to the E&R Policy Overview Committee. A project update report was provided to the first Regeneration and Economy Development Policy Overview Committee in July 2009.

(5) Regular monthly updates on the progress of the Partnership are made to the Regeneration and Economic Development Policy Overview and Scrutiny Committee.

(6) The core issues behind the creation of the Partnership were as follows:

(a) Ownership: this is by virtue of there being two (and only two) members of the LLP, being KCC and TDC with equal participation.

(b) Control: this is by virtue of KCC and TDC having equal representation on the decision-making body of the LLP, the Management Committee, being three appointees each. Decisions are made by majority, with certain special provisions for escalation to Council Leaders if required.

(c) Economic Participation: this is by virtue of the cost of contributions, and the income and capital receipts of KCC and TDC, being respectively borne and shared equally by KCC and TDC.

3. Capacity

The most relevant legal powers for the Partnership are the "well being powers" provided to Local Authorities in Part 1 of the Local Government Act 2000. Section 2 of the Act is widely drafted and facilitates the undertaking of actions so long as that activity is carried out in the pursuance of the economic, social and/or environmental well being of an area.

4. Key Assets and Activity

(1) Manston Business Park - EKO's landholdings at Manston Business Park consists of 40 acres of developable land which is currently zoned within the relevant Local Plan for industrial/commercial uses.

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(2) At the current time, EKO is in negotiations for the sale of two separate plots of land. This strategy of the sale of land where appropriate is in line with EKO's policy to encourage regeneration and job creation where possible.

(3) Eurokent site - EKO holds around 40 acres of land to the south of the Westwood Shopping Centre on the outskirts of Ramsgate and is pursuing the submission of a planning application, working with an adjoining landowner, based on an agreed and widely consulted upon Masterplan. EKO is working closely with Thanet District Council to produce a development scheme that reflects its emerging Local Development Framework Core Strategy Document and that aims to play a significant part in promoting the continued regeneration of the wider Thanet area.

5. Income and Expenditure

(1) At present there is no income into the Partnership. The two key projects within the Partnership, as set out above, both consist of land for future development.

(2) Matters of note within the Partnership's published audited accounts for 2008-2009 are as follows:

(a) KCC and TDC contributed £569,419 equally to the set up costs of the joint venture. KCC and TDC also contributed land at Manston Business Park and at Eurokent with a notional book value of £9,965,000 at that time, August 2008.

(b) The annual budget for 2010-2011 is set at £360,000 but this may vary depending on the pace of development linked to the ongoing projects. In addition to equal contributions from KCC and TDC for set up and operational costs, it is anticipated that strategic land disposals in the shorter term will generate the funds needed to progress the developments.

(3) The annual budgets for 2009-2010 and 2010-2011 have been set based upon a reprofiling of funding as a result of slower than anticipated progress in light of the economic climate and the complexity of the sites involved. They include the provision of short term loans of £95k from each partner, the submission of an application for a longer term loan of £500k to KCC's Regeneration Fund, to be drawn down when appropriate, and a request to put back repayment of costs for the Eurokent Spine road construction.

6. Accounting and reporting

Baker Tilly have been appointed accountants and auditors to the Partnership. Audited accounts for 2008-2009 have been prepared and approved. The 2009-2010 accounts are in the process of being prepared.

7. Staff

Day to day management of the Partnership and the projects therein is dealt with by an interim part time Executive Director on secondment from the KCC Property Group along with additional support on a periodic basis from within the Property Group team. This is dealt with on a full cost reimbursement basis from the Partnership to KCC.

8. Recommendation.

Members are asked to note the above summary of the background, structure and operation of East Kent Opportunities LLP.

David Evans
East Kent Opportunities Executive Officer
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