

By: Roger Gough, Cabinet Member for Regeneration and Supporting Independence
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To: Cabinet: 12th May 2008

Subject: Ashford's Future – proposed formalisation of the Ashford's Future Partnership and the related incorporation of a Special Purpose Vehicle

Classification: Unrestricted

Purpose of Report: To inform Members of

For Information: 1. the proposal for formalising and restructuring the Ashford's Future Delivery Board
2. the work in progress on developing a Special Purpose Vehicle (SPV) as a key new element in the delivery structure for Ashford's Future in delivering growth to Ashford

1.0 Introduction

1.1 The Ashford Growth Area is entering a new phase of delivery. Given the scale of infrastructure that needs to be provided to support the doubling of the size of the town it is acknowledged that the Ashford's Future Partnership will need to adapt and strengthen its programme and project management capacity. Accordingly it is proposed that current arrangements be revised to ensure the efficient delivery of key projects, and the securing of resources. The revision of arrangements will also meet the Government's requirement as a condition of future funding support.

2.0 Proposals and Progress

2.1 The Ashford's Future Delivery Board (AFDB) is currently an informal partnership of the key partners involved in the regeneration of Ashford. It is proposed to formalise and rename the Board the 'Ashford's Future Partnership Board' (AFPB), with reviewed membership arrangements. This will continue to be a public sector-led partnership, retaining formal control of the overall Ashford's Future Programme.

2.2 A Partnership Agreement between the four Founder Partners (ABC, KCC, SEEDA, and EP) will establish a decision-making framework, and make provision for decisions solely by the four Founding Partners.

2.3 The AFDB has agreed on the incorporation of a company limited by guarantee to act as a special purpose vehicle (SPV) to support the delivery of the Ashford's Future Programme.

2.4 At the County Council's instigation, the need for an SPV has been questioned with DCLG. The case was put that the same outcome could be achieved by strengthening the existing partnership arrangements and that an SPV may be inefficient in financial terms. However, it is accepted that private sector input in the SPV will bring expertise, challenge and a new approach. The SPV will also bring a culture change and a perception that Ashford is entering a new phase of delivery. In addition, DCLG confirmed that future Growth Area Funding for Ashford would be dependent on a commitment to the establishment of an SPV under private sector influence.

2.5 To date, activity has been driven and co-ordinated by the Ashford's Future Core Team and by

officers drawn from the partners, in support of the AFDB. It is proposed that a new SPV team will subsume the existing Ashford's Future team, and will be led by a Managing Director. Recruitment is under way for the new Managing Director. Other vacant posts will be filled subsequently.

It is anticipated that the SPV team will be fully operational by the Autumn.

There are no plans to formally second or otherwise transfer the employment of any County Council officers to the SPV.

2.6 The SPV will have two clear functions; firstly, ensuring the delivery of key projects, to include bringing forward town centre sites where a number of different partners are involved in delivery. The second function of the SPV is to provide programme management for the entire Programme for Development on behalf of the AFPB (see para 2.7 below). In this role the SPV will ensure that all organisations with a responsibility for projects are delivering on time and on budget, and will report to the AFPB.

The relationship between the AFPB and the SPV is appended (Appendix 1). The proposed staffing structure for the SPV is also appended (Appendix 2)

2.7 Since the decision by the AFDB to proceed with the development of the SPV, the Ashford's Future team has submitted a Programme for Development (PFD) to Government, setting out key project priorities for Ashford's growth, for all main partners to support and assist in delivering. DCLG has subsequently awarded Growth Area (GAF 3) funding to Ashford totalling £23m for the three year period 2008 to 2011, providing a significant statement of commitment to the Ashford Growth Area. It is expected that DCLG will meet the full operational costs of the SPV, although this is yet to be finalised. Other partners (such as English Partnerships) may wish to channel their funding via the SPV.

2.8 Work has been proceeding on the drafting and negotiation of the legal documents and other matters that will be required to support the proposed arrangements.

The proposed draft documents comprise:

- a non-binding Partnership Agreement between the four Founding Partners (Ashford Borough Council (ABC), KCC, the Regional Development Agency (SEEDA), English Partnerships (EP)) to put the overall Ashford's Future Partnership on a more formal basis,
- a Memorandum and Articles of Association for the Ashford SPV, and
- a Members' Agreement between the four 'Founder Members' of the SPV (ABC, KCC, SEEDA, EP) to regulate their approach to the operation of the SPV and outline the decisions that can only be made by their unanimous agreement.
- The company documents require the SPV to act in accordance with a Business Plan that has been given prior approval of the Members under the Members Agreement. The Business Plan is being drafted, and will outline the activities that the SPV proposes to carry out in delivering aspects of the Programme for development.
- Accountable Body procedures

2.9 The SPV will have a Board of Directors (the SPV Board) comprised of representatives from ABC, KCC, SEEDA and EP, and up to four directors chosen from the private sector, one of whom will act as Chair of the Board and who will exercise a casting vote at Board level. The four founder members are each entitled to nominate a Director. The AFDB has approved the appointment of Robin Pyle, Senior Director of Land Securities as private sector Chairman for the new SPV Board. The other three private sector Directors are in the process of recruitment.

2.10 The Founding Partners are each in the process of seeking their necessary approvals to participate in the SPV and revised Ashford's Future Partnership Board. Ashford Borough Council's Executive Committee approved the proposals on 6th March 2008.

2.11 This matter was reported to the County Council's Environment and Regeneration Policy Overview Committee on 31st January 2008, where the POC gave in principle support to the establishment of the SPV, subject to funding being available to cover the costs.

3.0 Implications for the County Council

3.1 The implications for the County Council are in terms of financial liability/exposure and risk.

3.1.1 Finance

Ashford Borough Council is the Accountable Body for GAF 3 government funding and other monies, and receives and holds the funding on behalf of the Founding Partners. Funds are then drawn down by partner organisations responsible for specific projects in delivering the Programme for Development.

For projects where the County Council is the lead organisation, it is anticipated that funding will be drawn down from ABC by the County Council in accordance with Accountable Body procedures and GAF 3 Funding Guidance. These monies are both outside and additional to the County Council's own budgets.

3.1.2 Partner contributions and risk

It was anticipated that partners (such as SEEDA) would contribute assets to the SPV, and that the SPV would attract private sector investment. Asset and other contributions to the SPV by the partners are not yet clear. However, the County Council's position is that it will only provide contributions in kind to the SPV, through the provision of dedicated specialist staff to deliver particular projects eg transport.

It is not proposed to transfer of funds from the County Council's base budgets to the SPV.

The SPV will be a company limited by guarantee, with each of the Founding Members liable for a contribution of £1 towards any debts that may be outstanding on the winding up of the company.

The nominal value of this guarantee means that the creation of an SPV under these terms does not present a direct financial risk to KCC.

4.0 Reporting

4.1 The County Council representative on the AFPB will have responsibility for ensuring there is appropriate co-ordination within KCC, and will report to Cabinet on progress. The SPV Business Plan and Ashford's Future 'Programme for Development' will also be reported to Members for approval. The County Council's normal democratic rights will not be compromised.

4.2 The process of developing the new arrangements has highlighted the need for a strengthening of the County Council's own procedures, business planning and reporting in respect of the Ashford Growth Agenda. Accordingly, procedures will be developed for ensuring that corporate objectives are agreed prior to inputting to the Ashford Growth Agenda.

5.0 Conclusions

5.1 The proposals as outlined in this paper will help take forward the growth agenda in Ashford, enabling more effective delivery and reflecting the County Council's priorities. KCC is already heavily involved in supporting growth proposals in Ashford. The establishment of the SPV should help to ensure that these resources are more effectively deployed, together with an improvement in the collective capacity of the Ashford's Future Partnership to deliver a coherent and co-ordinated programme of projects and other activity to deliver growth in Ashford.

By adopting the new arrangements as outlined, the Ashford's Future Partners will be able to provide greater confidence that the desired outcomes will be achieved. Additional input from the private sector should also enhance perceptions that Ashford has moved effectively into the delivery mode.

5.2 This is an interim report and a fuller examination of the proposals and implications for KCC will be made to the June meeting of Cabinet.

Recommendation: Cabinet is requested to

- i) Note progress on the revised arrangements for Ashford's Future, to include a proposal to submit a full report to the June meeting of Cabinet.

- ii) Request all County Council Managing Directors to consider the implications of the proposed Ashford's Future SPV and Programme for Development on their service areas
- iii) Note that a further report will be submitted seeking approval of the terms of the Ashford's Future Programme for Development and the SPV Business Plan

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Appendices

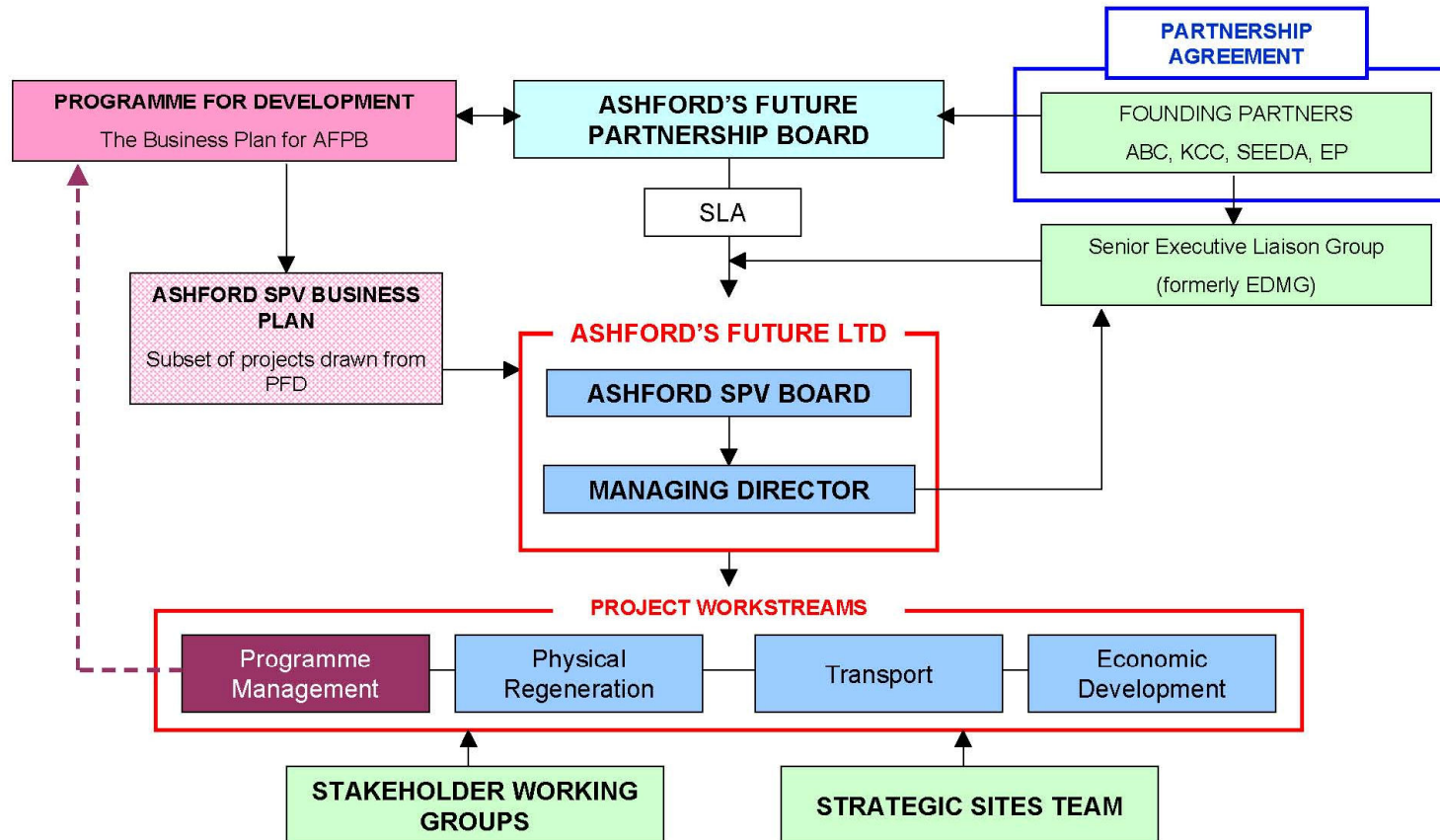
1. The relationship between the AFPB and the SPV
2. The proposed SPV staffing structure

Background Documents

Ashford's Future: The Programme For Development

Appendix 1: Proposed Relationship between the Ashford's Future Partnership Board and the SPV

DELIVERY OF ASHFORD'S FUTURE RELATIONSHIPS & RESPONSIBILITIES



Appendix 2: Proposed Staffing Structure

