



To: Executive Councillor for Communities: Councillor Richard Johnson

Report by: Head of Community Services

Relevant scrutiny committee: Community Services Scrutiny Committee

Wards affected: Abbey Arbury Castle Cherry Hinton Coleridge East Chesterton King's Hedges Market Newnham Petersfield Queen Edith's Romsey Trumpington West Chesterton

REVIEW OF GOVERNANCE ARRANGEMENTS FOR THE CLAY FARM CENTRE

Not a Key Decision

1. Executive summary

The Clay Farm Centre is currently being constructed in the new housing developments in the south of the city. The governance arrangements for the centre primarily affect Trumpington Ward; however due to the scale of the centre and its multi-agency stakeholder features, it has a wider catchment. Both principal stakeholders (the City and County Councils) together with the Clay Farm Centre Company Limited (the joint venture company - referred to as 'the JVC' - established by the Councils to manage the centre) now believe the governance structure is more complicated than it needs to be and adds costs through taxation issues. As a result, the stakeholders wish to revise the governance arrangements put in place in 2014.

2. Recommendations

The Executive Councillor is recommended:

- a) To agree that the City and County Councils work together to dissolve the JVC and formulate a new Partnering Agreement for the governance of the community centre that replaces the 2014 Collaboration Agreement.
- b) To agree that this new Partnering Agreement will establish an advisory group to provide community and democratic oversight of the centre management. This will incorporate elected members.
- c) To agree that the detail of recommendations a) & b) is worked through between the City and County Councils and the Directors of the Joint

Venture Company. Once agreement is reached, authority to enter into the new arrangement on behalf of the City Council is delegated to a Strategic Director in consultation with the Executive Councillor for Communities, the Chair of Community Services Scrutiny Committee and the Opposition Spokesperson.

3. Background

3.1 The Clay Farm Centre is currently being constructed in the south of Cambridge¹ on land owned by the City Council. The Council will own the five-storey building which comprises a library, community hall and rooms, café, police touch down space, a GP surgery and 20 housing units over two floors managed by Bedfordshire Pilgrims Housing Association (BPHA). The cost of the project is approximately £11million and is funded by a mix of funding from partners, developer contributions and capital borrowing.

3.2 In March 2013, the City Council endorsed an approach to develop management arrangements for the Clay Farm Centre.

3.3 In January 2014, the Councils each took a decision to set up a management company (the JVC) to run the centre. The centre would remain in the ownership of the City Council but would be leased to the JVC. The management company would in turn run or make arrangements for the day to day running of the centre, and to sub-lease the housing elements (third and fourth floors) to BPHA, the second floor to a health partner (for use as a GP surgery) and office space on the first floor to the police for touchdown space. The rest of the first floor would be community provision. The ground floor would include a library, community provision and a café.

3.4 Legal framework and formation of the JVC

A Collaboration Agreement was established between the City and County Councils on 19 December 2014 and the Clay Farm Centre Ltd was incorporated on the 29 December (still referred to as the JVC). The City and County are shareholders in the JVC. It currently has three directors, two representing the City and one representing the County

3.5 Ongoing revenue contributions from the City and County Councils are required to meet the operating costs of the centre. The Collaboration Agreement capped the subsidy required in any one year to £200,000, a maximum of £120,000 from the City Council and £80,000 from the County Council. The proportions reflect the capital input from each partner. This revenue funding has not yet been drawn down as the centre has not been handed over to the City Council and is not operational. A further sum of £50,000 has been set aside as an implementation budget, to cover set-up and start-up costs for the centre.

¹ <https://www.cambridge.gov.uk/clay-farm-centre>
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3.6 Project management

The lead for the capital project is the Managing Director of the City Council's Housing Development Agency. The Council appointed ADP Limited as a design partner and ISG Limited as the construction contractor.

A project team which comprises of all stakeholders and a representative of Trumpington Residents Association was established in 2014. The project team considers all aspects of the construction and management implementation arrangements. The opening of the building has unfortunately been delayed².

Once built, the lead for the operational management of the centre is the Head of Community Services. The City Council has established an internal project team to support work on the centre with the County Council.

3.7 Management arrangements

Following an options appraisal and discussion with project partners, the JVC chose to commission the City Council to manage the day to day running of the centre on its behalf. The Executive Councillor took a decision to agree to this request in October 2015³. The City Council will review its longer term commitment to this arrangement as part of the ongoing review of community provision.

3.8 Review of governance

As more detailed work has been undertaken by the internal project team to consider governance and financial arrangements, it has become apparent that the initial advantages of operating the centre via the JVC has been outweighed by the financial disadvantages of the model, mainly due to the financial arrangements for the leases, additional taxation and other complexity.

In July 2016, following consultation with the JVC directors, the City and County jointly instructed their legal representatives, Sharpe Pritchard and LGSS (Local Government Shared Services), to produce a briefing paper to set out the legal framework of options for the future of the JVC and running of the centre.

The report was considered on 10 August 2016 by the JVC's Board of Directors and it was agreed, subject to the agreement of both Councils, to dissolve the company (the JVC has not traded and has no assets), and for the two Councils to enter into a new partnering agreement instead, for the operational management of the centre.

² <https://www.cambridge.gov.uk/news/2016/07/26/building-work-at-new-clay-farm-community-centre-delayed>

³ <http://democracy.cambridge.gov.uk/ieListDocuments.aspx?CId=176&MId=2791&Ver=4>

3.9 Revised proposal

In the current arrangement, the City Council grants a head lease to the JVC. The JVC would then grant two under leases: one to BPHA for the residential accommodation in return for a payment of a lease premium, and one to the GP practice for the health centre which will incur an annual rent, and both would give rise to additional taxation liabilities for the Council and the JVC.

The alternative model would see the JVC removed from the governance arrangements for the centre. This would have the advantage of simplifying the model and it would remove many of the identified problems in relation to taxation on the lease premium and rent from the GP Practice. Only two leases would need to be granted and both would be granted directly by the City Council to the tenants of the centre.

The absence of a vehicle in which the County has a direct stake would be resolved by both councils entering into a new Partnering Agreement, which would be derived from the current collaboration agreement.

The Partnering Agreement would cover financial matters between the parties and with the County would need to cover issues of liability in the absence of the JVC. The agreement to date is that the City Council will be the operator of the centre and employer of staff in the new centre. The library service will be managed by the City Council under a service level agreement provided by the County. Regular partner meetings would be held to monitor the arrangement.

An advisory group would be established to provide oversight and guidance. It would comprise designated⁴ elected members and other local representatives. The designated elected members would also be invited to attend the partner meetings.

Financial and performance scrutiny would take place via the usual City Council cost centre management/financial reporting arrangements and will be done in conjunction with the County Council at the partnering meetings.

4. Implications

(a) Financial Implications

If the current model is to progress, there will be substantial financial and VAT implications to both the JVC and the City and County Councils, which will impact upon the operational viability of the JVC and increase the level of subsidy required for operating the centre.

⁴ Designated members determined by the County and City Councils as per the Partnering Agreement
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VALUE ADDED TAX

Cambridge City Council has made provision to opt to tax this community centre under the VAT Act 1994, Schedule 10, Part 1. Furthermore, the City Council will charge VAT where it is applicable.

(b) Staffing Implications

None

(c) Equality and Poverty Implications

Not applicable

(d) Environmental Implications

None

(e) Procurement/Legal

Development of a new Partnering Agreement and dissolving the JVC, and formalising two new leases to the NHS and BPHA

(f) Consultation and communication

Consultation has been undertaken with the following:

- Project board
- JVC
- County Council
- JVC independent legal advice

(g) Community Safety

None

5. Background papers

See previous reports on Clay Farm

6. Appendices

None

7. Inspection of papers

To inspect the background papers or if you have a query on the report please contact:

Author's Name: Debbie Kaye

Author's Phone Number: 01223 - 458633

Author's Email: debbie.kaye@cambridge.gov.uk