

URBAN REGENERATION COMPANY

Report of the Director of Development and Cultural Services

SUMMARY OF REPORT

1. The report outlines the key issues in the legal agreements which we need to submit to the office of the Deputy Prime Minister before the Derby Urban Regeneration Company proposals can be approved.

OPTIONS CONSIDERED

2. Cabinet approved our URC bid on 17 December 2002. This included draft legal agreements, which it was assumed would be finalised if the bid was successful. The URC Shadow Board is now required to complete these documents and submit them to ODPM/DTI before the bid can be determined. Hence the proposals described in this report are the only option available to us.

RECOMMENDATIONS

- 3.1 That Members' approve the completion of the URC legal agreements as outlined in this report, for officers to submit as soon as possible to the Office of the Deputy Prime Minister and Department for Trade and Industry.
- 3.2 That the Council nominates Leader as its Director and the remainder of the Cabinet, Chief Executive, Director of Corporate Services and Deputy Chief Executive and Director of Development and Cultural Services as persons who may act as alternate directors of the URC.

REASON FOR RECOMMENDATION

4. The URC bid cannot be determined until these documents are completed.

MATTER FOR CONSIDERATION

- 5.1 Cabinet approved our URC bid on 17 December 2002, including draft legal agreements. These now need to be completed earlier than had been anticipated and returned to the ODPM/DTI for them to consider alongside our URC bid. The draft bid refers to the Memorandum and Articles of Association, and a Members' Agreement. These follow the model documents developed on behalf of English Partnerships and which every URC has used as a basis for their documentation. This report describes the salient points as they apply to Derby City Council.
- 5.2 There are now four agreements which need to be signed between the three founding members – east midlands development agency (emda), English Partnerships (EP) and the Council. These are the three agreements described in 5.1 plus a Revenue Funding Agreement.
- 5.3 A Shadow URC Board has been established, chaired by Peter Ramsden (emda Director) and including Dennis Hone (EP) the Leader of the Council, and Peter Gadsby (Private Sector Chair of the URC Steering Group which prepared the bid). The board will be expected to invite other members, from a cross-section of interests in the URC area, and this can be addressed if the bid is approved and when the URC Board first meets.
- 5.4 The URC company has a registered name – Derby Cityscape Limited and is a company limited by guarantee rather than having share capital.
- 5.5 The Memorandum sets out the objects and powers of the company, limits the liability of the members to £1 and generally prohibits the distribution of the company's income, capital and assets to members. On a winding up, any surplus assets are to be applied to a similar organisation.
- 5.6 The Articles of Association contain the detailed governance arrangements for the company. They deal with such things as membership of the company, appointment, removal and disqualification of directors and general conduct of company business. Of particular note to the Council are the following points:
 - the founding members can admit other persons as members although there are no proposals to do so at present.
 - the Council is committed to membership for at least three years.
 - as a founding member the Council can appoint one person as a founding member director. It is proposed that this be the Leader. The nominee can appoint other persons to act as an alternate director. It is proposed that the remainder of the Cabinet, Chief Executive, Director of Corporate Services and Deputy Chief Executive and Director of Development and Cultural Services be approved as persons who may act as alternate director.
 - provisions are included to ensure that persons associated with local authorities make up less than 20% of the directors and also that the

Council's voting rights are less than 20%. This is to ensure that the company does not inadvertently become an influenced or controlled company for the purposes of Part 5 of the Local Government and Housing Act 1989. Such designation would have significant financial and other implications for both the Council and the company.

- the number of directors is to be between two and fifteen with a Board quorum of five to include a director representing each of the founding members.

5.7 The Members Agreement is an agreement between the founding members and the company. Broadly it regulates how the founding members are going to co-operate so as to achieve the objectives of the company. This includes the commitment to entering into a Revenue Funding Agreement and producing the Masterplan framework for the urban regeneration area and scheme and associated business and implementation plans. Key points to note here are as follows:

- the agreement identifies a wide range of issues that require the agreement of all the founding members. These include activities outside the scope of the business plan generally and specifically those that involve dealings with land, contracts, loans and borrowing, guarantees, various accounting, financial and employment matters.
- within the Urban Regeneration Area various sites will be identified as either Priority or Secondary Sites. There will be a requirement for the Council to notify and consult with the other founding members on any proposal to enter into negotiations for the disposal of such sites outside of the Business Plan. Any disagreement will be dealt with through the dispute process in the agreement.

5.8 The Revenue Funding Agreement is an agreement between founding members and the company. It contains the founding members commitment to provide revenue funding to the company at the agreed level. It includes detailed terms governing the provision of that funding and its use by the company.

5.9 If the bid is successful and Derby Cityscape Limited is established, the first action of the Board will be to commission the preparation of a master plan and a business plan. The master plan should draw heavily upon the Derby CityScape Study, whilst the business plan will describe in detail the activities of the Company in its' first three years.

5.10 The three founding partners are also committed to identifying all of their land and property ownerships within the URC boundary, and to using these wherever possible to further the aims of the business plan. This could have implications for other land and property in the Council's ownership.

5.11 The company will operate within the boundary of the URC area, as described in the bid. But, the agreements all allow for activities outside the boundary, if

they enable developments to progress within the boundary and/or if activities outside the boundary are deemed by the URC and its partners to be desirable at some later date. This would apply in particular if the URC model is felt to be successful and all the founding partners wish to expand its operations to a wider geographical area.

FINANCIAL IMPLICATIONS

6. The Council will make a contribution of £125,000 in 2003/4 and £250,000 in each of years 2 and 3 to the revenue budget of the URC. This has been identified in the current budget round.

LEGAL IMPLICATIONS

- 7.1 The URC will be a company limited by guarantee. The governance provisions have been drafted to ensure that the Council's interest in the company does not exceed that of a minority interest for the purposes of Part 5 of the Local Government and Housing Act 1989.
- 7.2 The various documents described in this report contain key commitments on the part of the Council to the formation of the company, the delivery of the regeneration strategy and revenue funding for the company.
- 7.3 Council owned sites identified as Priority or Secondary Sites in the regeneration plan will be subject to constraints on disposal for purposes outside of the plan.

PERSONNEL IMPLICATIONS

8. The URC will recruit personnel on appropriate contracts given the finite life of its funding. An open recruitment policy will be used.

ENVIRONMENTAL IMPROVEMENTS

9. The work of the URC will lead to considerable improvements to the environment of the City Centre. The URC will also be the 'champion of good design' and 'guardian of the best use of public realm improvements to increase investor confidence'.

EQUALITIES IMPLICATIONS

10. The URC will encourage developments that will be of benefit to all citizens of Derby, and particularly those living and working in the City Centre.