

Agenda Item No: 11
Report To: The Cabinet
Date: 14th February 2019



Report Title: Ashford College Campus: Extension of the time period of the loan for the Phase 1a development

Report Author: Andrew Osborne, Economic Development Manager

Portfolio Holder: Cllr Gerry Clarkson, Leader of the Council

Summary:

Following the approval by Cabinet and Full Council in July 2016 for the loan to West Kent and Ashford College to deliver Phase 1 and 1a of the new Ashford College Campus on Elwick Road, the Cabinet noted the Chief Executive's use of delegated authority in September 2018 to convert the £2 million loan for Phase 1 to grant. Approval was granted for the funding agreement between West Kent and Ashford College and Ashford Borough Council, which included terms enabling the loans to be extended. The College have now approached the Council to extend the £1million loan for Phase 1a until March 2021 when this development is due to have been completed and the loan would then convert to grant. This report updates members on the College's current progress and seeks approval to extend the timescales within the funding agreement.

Key Decision: NO

Affected Wards: All Wards

Recommendations: **The Cabinet be asked to:-**

- I. Recommend that the Council agree to extend the remaining loan to West Kent and Ashford College in the sum of £1m, to be used for the sole purpose of the development of Phase 1a of the Ashford College Campus on Elwick Road, until 31st March 2021;**
- II. Recommend that the Council delegate authority to the Director of Law and Governance in consultation with the Director of Finance and Economy to execute and complete all necessary documentation to give effect to the above recommendation.**

Policy Overview: The loans provided to West Kent and Ashford College have secured the release of other external funding streams, and will enable delivery of Phase 1 and 1a of the Ashford Town Centre College Campus.

The College Campus is one of the Council's "Big 8" projects and is strategically important in delivering better further education provision, the regeneration of Ashford Town Centre and growth within the Borough.

This project is identified within the Council's Corporate Plan 2015-20, under Priority 1, Enterprising Ashford: Economic Investment and Growth as a key priority project.

Financial Implications:

The changes to the Funding Agreement for the loan with West Kent and Ashford College, allowing the extension of the Phase 1a loan, do not have any financial implication on the Council, as the loan was originally due to be converted to a grant by July 2018 or December 2018 under the original programme and funding agreement. With the extension of the loan for the Phase 1a development, interest will be paid on the loan during the period of the extension through to the end of March 2021 therefore providing an additional return for the Council during this period.

Risk Assessment

No – a risk assessment was completed as part of the original cabinet decision to loan this funding.

Equalities Impact Assessment

Not necessary the report deals with a financial transaction.

Exemption Clauses:

No

Contacts:

andrew.osborne@ashford.gov.uk – Tel: (01233) 330612

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Purpose of the Report

1. To report to Cabinet on West Kent and Ashford College's request to extend the loan for the Elwick Road Phase 1a development from the end of December 2018 until the end of March 2021 and seek their approval for this extension.

Issue to be Decided

2. Whether Cabinet are happy to approve an extension to the Ashford College Phase 1a loan, the time period of the extension, and whether Cabinet are happy to delegate authority to the Director of Finance and Economy, and Director of Law and Governance to agree the required changes to the current Funding Agreement.

Background

3. This report follows the reports to Cabinet of February 2015, July 2016 and September 2018. The first report approved a bridging finance loan of £2m for the college, which was to be repaid from the proceeds of the disposal of the Jemmett Road campus.
4. At the Cabinet meeting of the 14th July 2016 and the Full Council meeting of the 21st July 2016, the Council approved bridging loans of up to £3 million to support the delivery of the new Phase 1 and Phase 1a Ashford College Campus developments. The conversion of these loans into a grant was dependent on completion of both developments and successful operation of the College Campus for one term. The loans were split £2 million for Phase 1 and £1 million for Phase 1a, to support the overall funding programmes required for each Phase. Both Phase 1 and 1a were due to be delivered at the same time when the original funding agreement was put in place.
5. The Council approved the terms of this loan as set out in the Heads of Terms agreed with West Kent and Ashford College, and reported as an exempt appendix to the July Cabinet report.
6. Three areas of the Heads of Terms were varied and approved by Cabinet on 13th October 2016, to enable a funding agreement between the Council and West and Ashford Kent College, and an intercreditor agreement between the Council, West Kent and Ashford College and their primary lender to be entered into.
7. In order to support the ongoing financial and academic success of the new Ashford College, and with the Phase 1 building delivered successfully and operational for one academic year. The Chief Executive exercised her delegated authority on the grounds of urgency (Part 3, Appendix 5 of the Constitution, section 4.9) to authorise changes to the Funding Agreement,

which was reported to Cabinet in September 2018. This converted the £2 million loan for the Phase 1 development into a grant from 31st July 2018. The remaining loan under the agreement is the £1 million loan for the Phase 1a development, which has not yet been converted into a grant.

8. The Phase 1a development will comprise of a 2,500m² engineering, motor vehicle, motor sport, electrical, plumbing, and energy training centre.

Extension of the Phase 1a Loan within the existing Funding Agreement.

9. The original expectation was that both loans for Phase 1 and 1a of the Ashford Town Centre Campus would have been converted to grants by July 2018 on the original timescales for the delivery of the buildings. In July 2018, West Kent and Ashford College requested the extension of the Phase 1a loan from July 2018 to the end of December 2018, as provided for within the terms of the original funding agreement. Within the funding agreement there is also the allowance for one further extension of the loan beyond December 2018 through negotiation with the Council to take into account any delays to the project. The length of this extension is not set out within the original funding agreement, and this report therefore seeks Cabinet approval for the requested extension from Ashford College.
10. The College completed construction of Phase 1 in September 2017, and this has been open to students for over one full academic year.
11. During the construction phase, the ground works for Phase 1a were completed allowing the College to benefit having a single contract for ground works of both Phases, and the Council's £1m loan has been used to fund these works.
12. The College has been very successful meeting and exceeding the targets that it has set itself in its business plan for attracting student numbers to the Phase 1 development. As part of this a review of the mix of courses that are provided from Phase 1a has been undertaken and the original scheme has undergone a number of changes to the internal design that has delayed the start of construction.
13. The College has now completed the sale of the Jemmett Road site and has moved into temporary sites on Wotton Road and Repton Park for the provision of engineering, construction and motor vehicle courses. It has also submitted a bid to the Education and Skills Funding Agency (ESFA) Transaction Unit as part of the College's proposals to merge West Kent and Ashford College and the Hadlow group. This bid is seeking funding for the restructuring of the College's finances to reduce their debts and provide capital investment to support the Phase 1a development in Ashford as well as other capital investment within the Hadlow Group.
14. If this current ESFA bid is successful, this will enable the full funding to be in place for the Phase 1a development in February 2019. Contracts for the construction of Phase 1a are then due to be awarded in May 2019, with construction starting on site in July 2019 and completing by June 2020. The

Phase 1a building will then be fitted out over the summer of 2020 ready for students from September 2020. In order to support these timescales, the College have requested that the existing £1 million loan be extended to the end of March 2021, to allow for completion of construction, one term of operation of the new building, and an allowance for a further term for any delays in order to then be able to comply with the conditions for the loan to convert to a grant in March 2021.

15. The original funding agreement allows for the provision of this last extension to the loan, but Cabinet are ask to approve the timescales. In addition the interest rate charged for this loan during the period of the extension will need to be set, and it is recommended that this is continued at the rate agreed within the original funding agreement for the period up until the end of December 2018. It is also requested that Cabinet delegate authority to the Director of Finance and Economy, and the Director of Law and Governance to complete a deed of variation to the original funding agreement bringing this extension into effect.

Other Options Considered

16. The other options considered were to not extend the loan, or extend the loan for a shorter period of time. Both of these options would potentially jeopardise the delivery of the Phase 1a development, by reducing the budget available for the build, or reducing the time available to deliver the project. The proposal in this report will enable the project to be delivered within the current programmed timescales for the College, without the need to negotiate a new funding agreement between the Council and West Kent and Ashford College.

Next Steps in Process

17. The Economic Development Manager and Principal Solicitor for Property and Projects will work with the Director for Finance and Economy and the Director for Law and Governance to implement the decision from Cabinet. If the recommendations set out in the report are agreed, the change will be implemented through a deed of variation to the existing Funding Agreement.

Conclusions

18. The recommendations set out in this report to extend the current Funding Agreement and £1 million loan facility until 31st March 2021, will provide the support required to West Kent and Ashford College to enable them to continue to deliver the critical next stage for the Ashford Town Centre Campus, Phase 1a. This will support the continued progress of the College in raising the quality of provision of FE and HE courses within Ashford Borough.

Portfolio Holder's Views

19. "Delivery of Phase 1a of the Ashford College town centre campus is essential to fulfil the needs of local residents and businesses for sustainable technologies, engineering, and automotive skills. The extension of this loan

agreement will enable the College to take forward the delivery of this important facility that will benefit the borough.”

20. Cllr Gerry Clarkson, Leader of the Council

Contact: Andrew Osborne, Economic Development Manager

Email: andrew.osborne@ashford.gov.uk