



Agenda Item No: n/a

IMET INVESTMENT UPDATE AND RECOVERY RECOMMENDATIONS

To: Business Board

Meeting Date: Urgency Procedures by Email on 26 August 2021

Public report: Yes

Lead Member: Austen Adams, Chair of the Business Board

From: John T Hill, Director Business and Skills

Key decision: (Combined Authority Board 29th September 2021)

Recommendations: The Business Board is requested to:

- (a) Recommend that the Combined Authority Board accepts the offer for £3.15m from a local private company and delegate authority to the Director of Business and Skills, in consultation with the Section 73 Officer, the Monitoring Officer and the Mayor, to finalise the completion of all legal and financial aspects of the sale.
- (b) Recommend to the Combined Authority Board that Cambridge Regional College be released from the original Grant Funding Agreement obligations in return for foregoing any income from the sale in favour of the Combined Authority.
- (c) Recommend to the Combined Authority Board that a new agreement is entered into with Cambridge Regional College in relation to the equipment to continue delivery of learner and Apprenticeship outcomes to the relative value of the equipment being retained by them.

1. Purpose

- 1.1 The purpose of this paper is to ask the Business Board to consider the offer received for the purchase of the iMET vocational training centre at Alconbury Weald.

- 1.2 In parallel the Business Board is asked to delegate authority to enable the offer to be taken forward to completion of sale from all legal and financial aspects.

2. Background

- 2.0 The Business Board recommended to the Combined Authority, on 10th November 2020 the principle of partial recovery of the Local Growth Fund (LGF) investment of £10.5m in the legacy project design and build of a vocational training centre at Alconbury Weald. This being through sale of the lease on the building to recover funding. The Combined Authority Board subsequently approved this recommendation at their meeting in November 2020.
- 2.1 Following the LEP investment in this project in 2016, ownership and management of the iMET Centre transferred to Huntingdonshire Regional College (HRC), with Urban & Civic retaining the freehold property rights. However, HRC subsequently ran into financial difficulty, and merged with Cambridge Regional College (CRC). The original outcomes for the Centre had largely failed to materialise, with the Centre operating at a considerable loss.
- 2.2 The Business Board, at its meeting on 10th November 2020, considered the options for reuse or financial recovery of the iMET assets in light of the closure of the Centre in April 2020 by CRC. The Business Board agreed to the disposal of the iMET building via a sale on the open market and to return any sale receipts into the LGF recycled fund.
- 2.3 In line with the Combined Authority Board decision in November 2020, Officers have brokered an agreement with Landlord Urban & Civic, and Cambridge Regional College to market the property as a freehold in return for Urban & Civic receiving the first £750,000 of any sale receipt as an amount equating to assignment of land value and freehold transfer. In parallel an agreement with Cambridge Regional College has also been brokered for transferring the lease to the Combined Authority for a token sum or surrendering the lease to the landlord but in that event passing any sale receipt to the Combined Authority. Enacting these agreements may all happen simultaneously at the point of completion of the sale of the freehold. The balance of any funding that the Combined Authority receives through these agreements will be paid back into the recycled Local Growth Funding budget.
- 2.4 A red book valuation was completed by Savills on 27 January 2021 which valued the freehold of iMET with existing lease surrendered at £3,230,000. This valuation is attached at Appendix 1.
- 2.5 As per the Business Board recommendation from 10th November 2020 the building has been marketed by Savills since April 2021 and there has been interest with several viewings having been conducted. This has resulted in one private sector offer from a local company at value of £3,150,000 for the freehold.
- 2.6 The offer from the local private company has been verified by Savills. The local private company is financially in a position to be able to proceed with the purchase.

3. Business Board Recommendation and Next Steps

- 3.1 The Business Board is anticipated to repatriate c.£2.4m from the sale of iMET freehold into the Business Board LGF recycled fund.
- 3.2 After sales fees, the offer of £3.15m from the local private company would be split to Urban & Civic and to compensating the LGF recycled fund. The Business Board must make its recommendation to the Combined Authority Board to accept this offer in its capacity as Accountable Body for the LGF.
- 3.3 Therefore, the Business Board is asked to recommend that the Combined Authority Board accepts the offer for £3.15m from local private company which provides for £750,000 to Landlord and the balance to be returned to the LGF recycled fund to complete claw back from the iMET project.
- 3.4 To affect this, recommend the Combined Authority Board to delegate authority to Director of Business & Skills in consultation with the Section 73 Officer, the Monitoring Officer and the Mayor, to finalise and complete the legal and financial sale with the local private company.

Significant Implications

4. Financial Implications

- 4.1 The offer has financial implications for the Business Board – returning the balance of £3.15m, less sales fees and payment to Urban and Civic's for the Freehold of £750k, expected to be c.£2.4m.
- 4.2 The Business Board could reject the offer and instruct officers to continue to look for other offers in the open market, however the offer is near the book value of the asset (£3.15m vs £3.23m) so there is no guarantee that returning to the market will provide a better offer than that already obtained.

5. Legal Implications

- 5.1 In line with the Local Assurance Framework and National Guidance, the Combined Authority, as the Accountable Body for the Local Growth Fund (LGF), is charged with approving clawback of funds on underperforming or non-compliant projects. However, at the time of entering into the agreement with iMET, no such provision was in place. This has implications on the recovery of all or part of the grant value of £10.5m, and Members should note that only the sale receipt will be available for recycling.
- 5.2 The transaction will require the cooperation and the joint agreement of the three parties (CPCA, CRC and U&C).
- 5.3 If the CPCA completes the deal with the local private company, the CPCA's costs in this matter will be substantially limited.
- 5.4 The offer by the local private company will produce funding which will be a gain for the Business Board recycled funding.

6. Other Significant Implications

- 6.1 None.

7. Appendices

7.1 Appendix 1: Savills Red Book Valuation of iMET

8. Background Papers

8.1 Combined Authority Board Paper 25th August 2021

[CA Board iMET 25 August 2021](#)

8.2 Business Board Paper meeting date 10th November 2020

[Business Board Paper iMET 10 November 2020](#)

8.3 Business Board Paper meeting date 26th May 2020, paper dated 27th May 2020

[Business Board Paper iMET 27 May 2020](#)