



<b>BUSINESS BOARD</b>	<b>AGENDA ITEM No: 2.3</b>
<b>27 MAY 2020</b>	<b>PUBLIC REPORT</b> <i>This report contains appendices which are exempt from publication under Part 5 of Schedule 12A of the Local Government Act 1972, as amended, and it would not be in the public interest for this information to be disclosed</i>

## **IMET INVESTMENT UPDATE AND OPTIONS RECOMMENDATION**

### **1.0 PURPOSE**

- 1.1 The purpose of this paper is to update the Business Board on recent events relating to the viability of the GCGP investment of £10,502m in the design and build of a vocational training centre at Alconbury Weald, that make the achievement of the original outcomes forecast unlikely.
- 1.2 The paper introduces potential options for the Business Board to consider to recover funding or recycle the asset.

<b><u>DECISION REQUIRED</u></b>	
<b>Lead Member:</b>	<b>Austen Adams, Chair of the Business Board</b>
<b>Lead Officer:</b>	<b>John T Hill, Director of Business and Skills</b>
<b>Forward Plan Ref: N/A</b>	<b>Key Decision: No</b>
The Business Board is asked to: <ol style="list-style-type: none"><li>(a) Note the recent position of iMET LFG investment; and</li><li>(b) Note the potential options available to the Business Board in relation to the iMET investment that will be explored further by the Chief Officer of the Business Board, complimented with legal advice and reported back to the Business Board in July 2020.</li></ol>	

## 2.0 BACKGROUND

2.1 The Greater Cambridge & Greater Peterborough LEP provided a 100% grant to Huntingdonshire Regional College (HRC) to design and build a vocational training centre on Alconbury Weald. This was in the form of a three phased grant offer as follows:

(a) A Phase 1 Design Project	£250,000
(b) A Phase 2 Design Project	£300,000
(c) A Phase 3 Build Project	£9,952,000

2.2 This was on the basis that GCGP awarded full ownership and management of the centre, to be known as iMET, to Huntingdonshire Regional College. The Phase 3 (see Appendix 1) grant offer was signed by HRC in July 2016. However, the land (valued at £500k at the time) remained the freehold property of Urban & Civic, which for the purposes of education, leased the land to HRC.

2.3 The outcomes contained within the GCGP grant offer were low in comparison to those expected from LGF applicants to the CPCA. These were;

- (a) 12 jobs at an average cost of £875,000 per job. Note; the recent LGF investment in the Skills Brokerage was 324 jobs at an average cost of £12,345 per job
- (b) 360 apprenticeships at an average cost of £29,116 per apprenticeship. Note; the recent LGF investment in the Skills Brokerage was 1,800 apprenticeships and 1,000 traineeships at an average cost of £1,052 per apprenticeship/traineeship.
- (c) These have not been met for 19/20 and 20/21 and given the closure of the iMET building as a training facility delivered by PRC and CRC, will now not be met going forward.

Project Outcome	2019/20	2020/21	2021/22	2022/23
Number of jobs to be created	+4	+2	+4	+2
Number of Level 3 apprenticeships	48	88	105	119

2.4 However, by December of the same year, HRC had run into financial difficulty and was subsequently merged with Cambridge Regional College (CRC) in August 2017. As a result of this, the building asset became the property of CRC, but the operational business became the subject of a joint venture between CRC and Peterborough Regional College (PRC). This proposal served to eliminate the risk of competition, within the same market space, between iMET and a rival centre that PRC were planning to create, whilst provided for a pooling of expertise, resources, and employer clients between the two largest colleges within the region.

2.5 iMET was conceived to meet a forecast skills gap in STEM and advanced manufacturing occupations to facilitate further economic growth in Huntingdonshire and especially of the Enterprise Zone at Alconbury Weald. It was to deliver skills in Innovation, Materials, Engineering & Technology (iMET)

as well as develop opportunities for business support, consultancy and R&D services.

- 2.6 In any event, business growth in the effective catchment area of the centre, especially within the Enterprise Zone, did not manifest to support the growth in demand for vocational education and apprenticeships in the target disciplines. Whilst apprenticeship demand in the central Huntingdon campus has remained strong, it has proven prohibitive for students to travel from the town, out to Alconbury Weald.
- 2.7 As a result, the business has made significant losses since opening. The impacts of the current COVID crisis and a contraction of the core revenues of both CRC and PRC, have placed additional pressure on both organisations' ability to sustain those losses. For instance, employers have cancelled apprenticeship enrolments expected to start both during the remainder of this academic year, and in September 2020, as a result of the challenges being faced by their businesses.
- 2.8 The combination of these market dynamics means that neither college can continue the significant, and now likely to be more significant, subsidies required to keep iMET open and trading in its current location at Alconbury Weald. The Joint Venture between CRC and PRC will be wound down, to enable a solvent dissolution of the business.
- 2.9 It is intended by PRC and CRC that the apprentices currently in learning will be protected by transferring their apprenticeship programmes to the colleges and their learning will therefore be completed at CRC and PRC as appropriate. For information, Appendix 2 contains an email communication received on the 4<sup>th</sup> May 2020, from CRC. This email is yet to be responded to.

### **3.0 OPTIONS FOR RECOVERY**

- 3.1 In line with the Local Assurance Framework and National Guidance the CPCA, as the Accountable Body for the LGF is charged with approving clawback of funds on underperforming or non-compliant projects. However, the Business board as the administrators of the LGF, should make recommendations to the CPCA on the risks and implications of recovery.
- 3.3 National Guidance only deals specifically with the clawback of funds, rather than assets, hence Officers will need to consult with BEIS on any proposed recommendations the Business Board makes to the Combined Authority related clawback, via the recovery of assets.

The original grant agreements set out the clawback arrangements in the event of pursuing funding recovery where there has been non-compliance, misrepresentation or underperformance. The option of legal recovery of the funding is dealt with in Appendix 3 and includes an analysis of risks and implications.

#### **4.0 IMPACTS ON FUTURE APPLICATIONS FROM CRC**

- 4.1 CRC is the current owner of the asset, but not the original applicant for the iMET LGF grant. However, they are the legal entity against which any action to recovery funds might be taken. Separately, CRC is in the process of applying for LGF funding for a separate project.
- 4.2 The Local Assurance Framework implies that decisions on grant clawback and grant funding offers should be separate. Hence, CRC's current proposal should not be prejudiced, and should be evaluated separately and objectively through the established processes and by independent application evaluators, followed by the Entrepreneurs Assessment Panel, culminating in a recommendation to the Business Board as per the Assurance Framework.
- 4.3 However, the Board is asked to note that within their current application for £2.95m of LGF funding, CRC propose to use the full freehold value of the iMET building as match funding, transferring ownership of the building to the CPCA.

#### **5.0 OPTIONS FOR REUSE OF THE ASSET & RECYCLING FUNDS**

- 5.1 There are several commercial options for reusing the asset and its net value should it be possible to liquidate the asset, to generate new and additional skills and jobs outcomes for the economy. Appendix 4 deals with those potential options. It is proposed that the Chief Officer of the Business Board explore the viability and benefits of each option, in light of legal advice and report back to Board in July 2020.

#### **6.0 FINANCIAL IMPLICATIONS**

- 6.1 The detailed financial implications are unclear at this stage, as the potential options are still being explored. If the CPCA were to take control of the asset then there would be maintenance and upkeep costs associated with this (e.g. business rates) which would be payable regardless of whether there were any income, or sale, produced and thus this route does present a risk to the CPCA's limited revenue finances
- 6.2 As part of the further report in July a more detailed review of the potential costs of operating the asset if vacant will be undertaken, together with an analysis of whether any other implications arise as a result of a given option (for example Stamp Duty Land Tax, or a premium in respect of a lease assignment or surrender and regrant).

#### **7.0 LEGAL IMPLICATIONS**

- 7.1 There are no direct legal implications.

## 8.0 APPENDICES (EXEMPT FROM PUBLICATION)

8.1 Appendix 1: Phase 3 Grant Offer

8.2 Appendix 2: Communication received from Cambridge Regional College

8.3 Appendix 3: Risks & Implications of Legal Recovery of Funds

8.4 Appendix 4: Options for Reuse or Liquidation of the Asset

<u>Background Papers</u>	<u>Location</u>
None	N/A