

From: Edward Gwillim

Sent: 16 June 2020 09:03

To: Nicholas Alamanos

Cc: Stephanie Jones; Lisa Ashby; Ian Peake; David Williams; Clare Perez; Mitchell Gardner

Subject: RE: Funding Agreement for the Rural Enterprise Centre

Dear Nick

Thank you for forwarding me a copy of the letter you received from the Cities & Local Growth Unit explaining the rationale for the 2/3rds payments being made to the LEP in May.

Unfortunately this decision by the Cities & Local Growth unit has added a very significant additional level of financial risk to this project and, having considered this very carefully over recent days, the college has concluded that this risk is now too high to be acceptable.

As this is a major decision for the college I thought it would be helpful to share the context.

The original bid for this project, which was part of the wider Further Education bid that HLC developed and submitted on behalf of the colleges in the LEP area, was for a total project cost of £1,498k with a grant of £1,198k (80%) and a college contribution of £300k (20%).

After liaison with colleagues at the LEP the bid was amended to a total project cost of £1,498k with a grant of £1,138k (76%) and a college contribution of £360k (24%). The final approved amounts were a total project cost of £1,395k with a grant of £1,060k (76%) and a college contribution of £335k (24%).

The bid was part of a well thought out, long-term strategy for the Holme Lacy campus. The college has obtained planning permission for its old farmyard at Pound Farm nearby and it was hoped that the sale of this site for development would fund the building of a set of replacement farm buildings and provide the £335k match funding for this project. Unfortunately various external factors, including Brexit-related uncertainty, meant that the prospective sale price of this development site was insufficient to fund the replacement farm and this project. The college subsequently bid for a further round of funding from the LEP for a sustainable demonstration and training farm but that bid was unsuccessful.

Nevertheless, the college remained committed to this project, judging its valuable contribution as well worth the £335k cash cost to the college. Initial tenders indicated that there was a risk that the project would be over budget. At this stage we felt that with appropriate value engineering and careful control it would be possible to complete the project on budget with an acceptably low risk of excessive cash costs to the college.

The other risk that the tender process identified was the risk to the project timetable with contractors suggesting a longer contract period, mostly in response to Covid-19-related issues. For this reason we were anxious to see what flexibility, if any, might have been forthcoming on the spending deadline. Unfortunately the LEP was under pressure from central Government with the decision of the Cities and Local Growth Unit to pay only 2/3rds of the expected funding, an indicator of the funding risks lying ahead. This is potentially a very significant risk for the college and we are very grateful for the full and frank way in which you have shared this information with us and drawn our attention to the matter.

Because of this decision by the Cities and Local Growth Unit the funding risk of the project is now considered very high. Not only will 100% of any excess project costs over the £1,395k budget be

borne by the college (a risk we feel we can control) but there is also a risk that if we are not able to meet whatever conditions are applied to the remaining 1/3rd of the funding, the cash cost to the college could rise to more than £688k plus 100% of any cost overruns.

Given that the Covid 19 lock down and its financial consequences for the college will put further potential strain on the college's cash flow , the college feels that it is unable to justify taking on such a large risk over which it has limited control.

Having considered the risks of continuing with this project very carefully the college has concluded that sadly it is unable to continue.

I appreciate that this will be a disappointment to you as it will be to many of our colleagues and learners at the college, but we feel that in current circumstances we cannot continue with this project.

Can I take this opportunity to thank you and your colleagues for all your help and guidance with this project. We look forward to working with you again when appropriate opportunities arise.

Please do not hesitate to contact me if you have any queries or wish to discuss this further.

Many thanks

Kind regards

Ed