

CABINET

7 AUGUST 2012

PROPOSALS FOR THE INSPIRATION CENTRE AT STROOD ACADEMY

Portfolio Holder: Councillor Les Wicks, Children's Services

Report from: Rose Collinson, Director of Children and Adults

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Summary

In relation to the use of the Inspiration Centre at Strood Academy, Members asked for proposals that involve the following:

- A third party to manage the space on behalf of the Council
- Neutral costs to the Council
- Support for young people to connect with businesses in Medway
- Minimal financial risk
- Adequate provisions for safeguarding
- Minimal risk to the Council's reputation

Following discussions with several prospective tenants, expressions of interest have been received from two organisations. Details are set out in the report, with recommendations.

1. Budget and Policy Framework

- 1.1 In February 2009 Medway Council approved the business case for the Strood Academy, including a sum of £2m to establish a vocational centre. The original purpose of the centre is no longer viable, following national policy changes in relation to vocational qualifications.
- 1.2 The following proposal is consistent with the Children and Young People's Plan, the School Organisation Plan and Medway's Economic Development Strategy 2009-12. It also reflects current national policy regarding vocational learning.

1.3 The Medway Economic Development Strategy 2009-12 refers to the need to support the creation of new businesses, through the promotion of learning provision and enterprise-related support activity.

1.4 Therefore, this is a matter for Cabinet.

2. Background

2.1 The original objective in funding a vocational centre was to support the delivery of the work-related Diplomas introduced by the last Government. However, this is no longer relevant following withdrawal of financial support for diplomas and changes in Government policy towards vocational education.

2.2 Medway Council allocated the £2m funding for the centre from the Targeted Capital Grant (SEN and 14-19 Diplomas), of which £1.5m was for build costs, with £0.5m retained to cover the costs of furniture and equipment, including technology. No funding was agreed for running costs and it was expected that these would be met from charges levied on schools and other organisations using the facility.

2.3 The centre offers approximately 430m² of usable space within Strood Academy. The Council has entered into a Development Agreement with Strood Academy Trust whereby the Council retains the freehold and grants a 125-year lease to the Trust. This agreement follows the grant of government funding for the Academy Programme and is in a prescribed form.

2.4 The Council will need to negotiate a sub-lease of the Centre from the Strood Academy Trust, on terms that will enable the Council to grant a further sub-lease to a third party to run the centre.

2.5 Following the request from Members that a third party is sought to manage the centre on behalf of the Council, discussions were held with a number of potential clients identified during the market research. Two expressions of interest have resulted from these discussions. There are from:

- i) Medway Youth Trust (MYT)
- ii) Regen Offices Ltd, a consultancy working with Kent Invicta Chamber of Commerce

Copies of both expressions of interest are set out in the exempt appendix.

3. Expressions of Interest

3.1 The expression of interest from MYT proposes that the centre is used as its base for the information, advice and guidance activities being developed for schools and educational institutions. These developments are in the context of the changes to legislation from September 2012, under which schools are responsible for securing independent and impartial careers advice for students.

- 3.2 The services proposed by MYT include: careers education events for primary, secondary and tertiary phase education, business and enterprise development and support for professional development, both within the educational sector and other sectors. In addition, MYT would offer venue facilities for hire, for purposes that would be in line with the MYT's values and in keeping with the school environment.
- 3.3 The expression of interest from Regen Offices also offers a mix of business and educational services and proposes a partnership with both MYT and Kent Invicta Chamber of Commerce. Under the proposed partnership, MYT would offer careers educational services to schools, whilst the Kent Invicta Chamber of Commerce would offer training for businesses and enterprise training for young people. The expression of interest proposes that Regen Offices manages the Centre, appointing staff specifically for this purpose.
- 3.4 The MYT proposal is independent and does not require partnerships with other organisations.

4. Options Appraisal

- 4.1 The options appraisal of the two expressions of interest is set out in the Exempt Appendix.

5. Advice & Analysis

- 5.1 The expression of interest from Medway Youth Trust demonstrates compliance with the criteria set by Members.
- 5.2 Further information is set out in the Exempt Appendix.

6. Risk Management

- 6.1 The following risks have been identified in relation to the main options:

Risk	Description	Action to avoid or mitigate risk
1. Lease of the Centre from Strood Academy Trust	There is a risk that negotiations with Strood Academy Trust over the lease for the Centre may not result in agreement. Rated as C2	Begin detailed negotiations with the Trust and the third party immediately following the Cabinet meeting, if recommendations are approved. Encourage the third party to involve the Trust in Governance arrangements for the Centre.
2. Delayed opening of the Centre.	Centre is likely to remain empty until the lease agreement is signed with the Trust – with consequent risk to Medway Council's reputation. Rated as C2	Explore the possibility of partial occupancy as soon as possible after the Cabinet decision, depending on progress with negotiations over the lease.

Description of Risk	
Likelihood	Impact
A: Very high	1: Catastrophic
B: High	2: Critical
C: Significant	3: Marginal
D: Low	4: Negligible
E: Very low	
F: Almost impossible	

7. Consultation

- 7.1 The proposals for the services to be provided at the centre arise from market research commissioned by the Council, involving a wide range of employers and partners.
- 7.2 Strood Academy Trust has been consulted on the plans and the Principal has met both organisations that submitted expressions of interest. The Trust has emphasised that it is under obligation to ensure that the plans for the Centre are sympathetic to aims of the Strood Academy Trust and in line with its Object, which is “to advance for the public benefit education in the UK, in particular but without prejudice to the generality of the foregoing by establishing, maintaining and developing a school offering a broad curriculum with a strong emphasis on, but in no way limited to, Mathematics and Business and Enterprise”. It is our understanding that both MYT's and Regen's proposals would be in line with this Object, but this would need to be confirmed with the Trust. Both organisations stressed their commitment to meeting all safeguarding requirements.

8. Financial and legal implications

- 8.1 The £2m funding for the Inspiration Centre was allocated in 2009 from the Targeted Capital Grant (SEN and 14-19 Diplomas). Within this budget £1.42m has been spent on the building, with £80,000 remaining for furniture and fittings within the £1.5m allocated for building costs. An additional £0.5m was retained to cover the costs of additional furniture and equipment, including IT. No funding was agreed for running costs and it was expected that these would be met from charges levied on schools and other organisations using the facility.
- 8.2 As mentioned above (paragraph 2.3), the Council has entered into a Development Agreement with Strood Academy Trust under which the Council retains the freehold and grants a 125-year lease to the Trust. This agreement follows the grant of government funding for the Academy Programme and is in a prescribed form. Pending the grant of the 125-year lease, the Trust is occupying the site under a licence from the Council. The Council will need to negotiate a sub-lease of the Centre with the Strood Academy Trust, to be granted at the same time or as soon as possible after the grant of the 125 year lease, on terms that will enable the Council to grant a further sub-lease to a third party to run the centre. In addition, the Council will need to agree

interim arrangements pending the grant of the 125-year lease (i.e. until 5 July 2013).

- 8.3 The lease agreement between the Academy Trust and Medway Council and that between Medway Council and the third party would need to cover, as a minimum, length of lease, rent, other outgoings, arrangements for safeguarding, security and access.
- 8.4 These lease agreements will also need to be structured in such a way as to ensure that they are cost neutral to the Council.
- 8.5 Electricity and water supplies to the Centre are separately metered. It is recommended that the sub-underlease to the third party provides that this third party is responsible for these outgoings and all other services (e.g. insurance, repairs and maintenance, floor and window cleaning).
- 8.6 There is a general consent available to the Council (under The Local Government Act 1972), which enables the Council to grant leases where the purpose of the lease is the promotion or improvement of economic, social or environmental well-being and the difference between the unrestricted value of the land and the consideration for the lease is less than £2,000,000. In this case any under-value would be below this amount.
- 8.7 If Cabinet wished to grant a sub-underlease at under-value for over seven years, it would need to decide to do this and delegate authority to the Assistant Director Legal and Corporate Services to complete the lease. If the lease is under seven years and the rent is below £20,000 per annum the lease can be completed using the Assistant Director Legal and Corporate Services' delegated powers.

9. Recommendations

The recommendations are as follows:

- 9.1 That Medway Youth Trust is selected as the preferred tenant for the Inspiration Centre.
- 9.2 If the recommendation in 9.1 is agreed, that officers enter detailed negotiations with both MYT and Strood Academy Trust and that the Assistant Director, Legal and Corporate Services and the Director of Children and Adult Services, in consultation with the Children and Adults Capital Programme Cabinet Advisory Group, be authorised to agree terms for the leases and the other terms of occupancy of the Centre, together with the capital costs for furniture and equipment, respectively.
- 9.3 That the terms of occupancy address the issues of safeguarding of young people and the reputational implications for the parties involved, in addition to financial and related issues.

10. Suggested Reasons for Decision

- 10.1 MYT's proposal meets the criteria set by Members, there will be clear benefits for young people from the proposed services and MYT is a trusted provider of services for young people to the Council. This will secure a solution for the Inspiration Centre and will be in line with the original objectives for the vocational centre.

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Background papers

None