

Update for Huntingdon District Council on the Proposed Merger of Huntingdonshire Regional College and Cambridge Regional College

Background

Cambridge Regional College (CRC) and Huntingdonshire Regional College (HRC) are two general further education colleges providing a range of skills training to 16-18 year olds and also to adults. Both colleges offer training through classroom based provision and work based provision (mainly through apprenticeships).

Both colleges received an Ofsted inspection in late 2016. CRC was confirmed as a high-performing Grade 2 college whilst HRC received a Grade 4 Ofsted rating. Both colleges are currently part of the Greater Cambridgeshire and Greater Peterborough Area Review process, due to complete on 28 March 2017. It is widely expected that the Area Review will recommend the merger of CRC and HRC.

For the year ending 31 July 2016 CRC achieved an income of £34.5m whilst HRC achieved an income of £12.0m which would give a merged college with a combined income of £46.5m (based on 2015/16 results).

Huntingdon District Council and HRC are counterparties to a Loan Agreement of £1.5m dated 5th August 2013. This Loan Agreement has a duration of ten years and as at 31st July 2016 the outstanding loan balance was £1.17m (HRC 2015/16 Annual Report). The Loan Agreement has a fixed interest rate of 3.34%.

Following the recent Ofsted inspections the Principal, and both Vice Principals of HRC have left the college and CRC are providing direct support to HRC through sharing the same Principal (Mark Robertson) and Interim CFO (Ashok Patel). Also the CRC Deputy Principal for Learning is now dedicated to supporting HRC.

Type and Timeline of Merger

Assuming the proposed merger of CRC and HRC goes ahead it will be a Type 2 merger whereby the HRC legal entity will dissolve and the assets and liabilities of HRC will transfer over the CRC on the merger date.

The target merger date is 1 August 2017. To deliver this the Corporation of HRC needs to pass and publish a resolution to dissolve the legal entity at least a month prior to the merger date – targeted for late June. Also the CRC Corporation needs to pass a resolution to accept the assets and liabilities of HRC upon the dissolution of HRC.

In order to provide each Corporation with the assurance that they can pass these resolutions suitable financial and legal due diligence will be performed on each college and the merged three-year merged college financial forecast. Both Corporations will also require

assurance that the merged college has agreed lending facilities in place and therefore the two current lenders to HRC and CRC (Huntingdon District Council to HRC and Lloyds Bank to CRC) also need to understand the financial due diligence before they can agree to the terms and conditions of the ongoing loan facilities to the merged college.

To achieve this the college will complete its three-year merged financial plan by the end of March so due diligence can be completed through April and early May. The due diligence reports can then be shared with lenders so that the lenders can confirm ongoing arrangements by mid-June - prior to the end of June CRC and HRC Corporation meetings where the final resolutions will be approved.

Appendix 1 contains a detailed timeline for the proposed merger of CRC and HRC.

Benefits of the Merger for Huntingdon

Following the Ofsted grade 4 inspection at HRC and the deteriorating financial position at the college the collaboration with CRC that has already started and the proposed merger will secure the ongoing provision of teaching and learning at Huntingdon going forwards.

The merger plans assume ongoing delivery of teaching and learning at the Huntingdon college which will be known as Cambridge Regional College – Huntingdon Campus following the merger. Without this collaboration and merger with CRC the ongoing viability of a standalone HRC was not certain and so delivery of this merger will significantly reduce the risk of teaching and learning being removed from Huntingdon.

College's Preference for Huntingdon District Council Loan Agreement with HRC

The preference of the College (CRC and HRC) would be to simply continue with the existing loan agreement that is in place between Huntingdon District Council and HRC but to recognize the change in legal counterparty from HRC to CRC.

The College will work with Huntingdon District Council in whatever is required in order to achieve this preferred outcome.

Next Steps

College representatives met with Huntingdon District Council on Feb 2nd and agreed to prepare this update. Upon receipt of this update the council agreed to confirm the timeline and action required from its perspective in order to achieve the timetable set out in Appendix 1.

Appendix 1: Timetable for the Proposed CRC / HRC Merger

The following table contains the key milestones / deliverables in the proposed merger of CRC and HRC to a target date of 1 August 2017:

Milestone / Deliverable	Date in 2017	Responsibility
Appointment of financial and legal due diligence firms	28 th Feb	College
Completion of merged three year business plan	31 st March	College
Start HRC dissolution consultation – publish report and press notices	31 st March	College
TUPE consultation with college unions	April / May	College
Legal and financial due diligence exercise completed	Early May	DD firms
Publish dissolution consultation response report	May	College
Agree ongoing lending position with lenders after sharing financial due diligence report (which will need to be treated as confidential)	May / June	College / Lenders
Proposal details required from lenders for ongoing loan agreements to merged college	Mid-June	Lenders
HRC Corporation pass and publish resolution to dissolve and CRC Corporation pass and publish resolution to accept assets and liabilities of HRC	End of June	College
HRC legal entity dissolves	1 August	