

- 1. What is the situation with the UK Digital Retail Innovation Centre (UKDRIC)?**
 - a. What is the impact of insolvency proceedings on this subsidiary of Marketing Gloucester (MGL)?**
 - b. What is the future of the UKDRIC in Eastgate Shopping Centre?**

Officer response

Questions about the UK Digital Retail Innovation Centre (UKDRIC) and the impact of MGL's insolvency on the UKDRIC are matters for the Insolvency Practitioner.

Officers from the City Council are in discussions with GFirst Local Enterprise Partnership colleagues to explore how the facilities at Eastgate Shopping Centre could be repurposed to continue to serve as a Digital Innovation Hub. Given the investment already made into the facilities at Eastgate Shopping Centre, it makes sense to continue to locate any future hub at Eastgate Shopping Centre.

- 2. What led to MGL entering insolvency?**
 - a. What is the level of debt involved?**
 - b. Whom is the debt owed to?**
 - c. Was MGL operating illegally at any point?**

Officer response

The Insolvency Practitioner has stated that there were three reasons for the failure of MGL. They were

- The reduction over time of grant funding from GCC placing revenue pressure on the Company. This was not a situation unique to Gloucester, local authorities all over the UK have been faced with challenging public spending decisions.
 - The company failed to deal with the reduction in core revenue. Attempts to find new and alternative sources of revenue were inadequate and, when this became evident, there was little attempt to cut costs and reduce activity accordingly.
 - Too many high-risk projects were entered into with insufficient business and financial planning. The Company deviated from its core purpose and neglected to focus on prudently managing the day to day business.
- a. The Insolvency Practitioner is now trying to establish the quantum of debt owed by MGL.
 - b. The Insolvency Practitioner is now trying to establish a complete list of MGL creditors.
 - c. The police have informed the Council that there is no active police investigation underway. The City Council is not aware that MGL has operated illegally at any point.

- 3. What was the involvement of City Council officers and members?**
 - a. When did senior officers first become aware that MGL was experiencing financial difficulties?**
 - b. When did senior figures first become aware of questionable practice at MGL?**
 - c. What was the relationship between the council and MGL like in terms of access to financial information?**
 - d. What actions did the council take in relation to the crisis and when?**

Appendix 1

Officer response

- a. Senior officers were aware that the proposed reduction in funding to MGL placed financial pressures on the company, but those pressures were no greater than the financial pressures being felt elsewhere in respect of public funding and were less significant, for example, than the budgetary reduction set by the Council to Aspire Leisure Trust. MGL was given at least 12 months' notice of the first £100,000 reduction and 24 months' notice of the second reduction of the same amount.

Officers became aware that MGL was unable to pay its creditors without further financial support from the Council on 11 September 2019.

- b. The reports undertaken by Melanie Sensicle and Grant Thornton provided the first evidence to the Council of the financial and operational practices in operation at MGL.
- c. The Council was provided with a copy of the annual accounts and annual budget.
- d. Appendix 2 provides a summary chronology of relevant contact, events and actions between the Council and MGL since March 2019.