

## FOI Release

### *Information released under the Freedom of Information Act*

**Title:** Resigned interest in Directions Finningley on 14<sup>th</sup> February 2013 at a loss of £3.8 million

**Date of release:** 28 January 2014

#### **Information request**

Reasons why the department resigned its interest in Directions Finningley on the 14th February 2013 at a loss of £3.8 million.

#### **Information released**

Directions Finningley was founded in 2006 as a Community Interest Company (CIC) and received funding and support from Yorkshire Forward which, until its closure in 2012, was the Regional Development Agency for Yorkshire & the Humber.

Memberships in a CIC are not of a realisable value, as would typically be found with holding shares in a company. This means that when memberships are transferred, the accompanying shareholding cannot be 'sold' and the value in the CIC is protected for its intended purpose. For more information about CIC's please see:

<https://www.gov.uk/government/organisations/office-of-the-regulator-of-community-interest-companies>

Yorkshire Forward was the principal member of Directions Finningley but was unable to exit that role before their closure primarily because they were unable to secure a substitute organisation to take on membership. This is required under the governance of a CIC if it is to continue in existence, as was desired with Directions Finningley.

The Department of Business Innovation and Skills (BIS) was the legal successor body to Yorkshire Forward by virtue of a statutory transfer scheme, made under powers contained in Section 30 of the Public Bodies Act 2011, and, as such, succeeded Yorkshire Forward as a member of the company.

Following the transfer of membership, BIS appointed a Director to attend the Directions Finningley Board with a view to engaging a successor member and so

achieving a satisfactory exit that would ensure financial viability and continuation of provision of training facilities within the governance of the CIC.

In line with normal accounting practices, when BIS succeeded Yorkshire Forward as the Member, it also had to show the notional book value of Directions Finningley on its financial statements to represent that membership in the company. At the time membership was assumed, Directions Finningley was valued at £3.8m and therefore shown as an asset for that value on the BIS financial accounts.

In February 2013, following due diligence procedures, BIS transferred its Membership to The Igen Trust, an established not-for-profit organisation. The BIS-appointed director also resigned from the Directions Finningley board of directors.

As mentioned above, Directions Finningley is a CIC and members are unable to realise value held in the company. This means that the membership transferred to the Igen Trust cannot be sold by that organisation and the assets in the company are protected for their intended purpose.

Upon relinquishing membership, BIS simultaneously had to reflect the change by removing the notional value of Directions Finningley from its financial statements. Therefore, as membership was transferred for 'nil consideration', upon removing the entity from the BIS Financial statements, a 'loss' appears in the accounts.

This should confirm that BIS has taken the appropriate steps to ensure that the public money invested in Directions Finningley CIC continues to bring about social and economic benefits by providing skills and training in the aviation industry.