

Dear Councillor

CABINET - WEDNESDAY, 6TH SEPTEMBER, 2023

I am now able to enclose, for consideration at the meeting of Cabinet on Wednesday, 6th September, 2023 the following reports that were unavailable when the agenda was published.

Agenda No Item

- | | |
|----|---|
| 9 | City Learning Quarter (Pages 3 - 14)
[To provide a progress update on the City Learning Quarter and seek required approvals to deliver the scheme] |
| 11 | City Learning Quarter (Pages 15 - 28)
[To provide a progress update on the City Learning Quarter and seek required approvals to deliver the scheme] |

If you have any queries about this meeting, please contact the democratic support team:

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CITY OF WOLVERHAMPTON COUNCIL	Cabinet 6 September 2023
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Report title	City Learning Quarter	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Stephen Simkins Deputy Leader: Inclusive City Economy	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All Wards	
Accountable Director	Richard Lawrence, Director of Regeneration	
Originating service	City Development	
Accountable employee	Mark Bassett	CLQ Programme Director
	Tel	01922 552577
	Email	mark.bassett@wolverhampton.gov.uk
Report to be/has been considered by		

Recommendations for decision:

The Cabinet is recommended to:

1. Approve the revised budget and funding strategy for the City Learning Quarter as detailed in the report.
2. Declare the building known as Wolf Mountain, at Paget Road, surplus to the Council's requirements and approve disposal to achieve best consideration.
3. Delegate authority to the Cabinet Member for Governance and Equalities in consultation with the Director of Regeneration and Deputy Director of Assets to approve the terms of the disposal for Wolf Mountain through an Individual Executive Decision Notice and to ringfence the net disposal proceeds as part of the CLQ funding strategy.
4. Approve the transfer of ownership of Phase 2 Main College site to the College upon completion of the construction phase subject to S123 Consent being obtained by Council.

5. Delegate approval to the Deputy Leader: Inclusive City Economy and the Cabinet Member for Resources and Digital City in consultation with the Directors for Regeneration and Finance for the Council to enter into the required Development Agreement with the City of Wolverhampton College for Phase 2 of the project.
6. Delegate approval to the Deputy Leader: Inclusive City Economy and the Cabinet Member for Resources and Digital City in consultation with the Directors for Regeneration and Finance for the Council to enter into a NEC4 construction contract for the Phase 2 College with McLaughlin and Harvey Limited to progress and complete the City Learning Quarter project subject to the following:
 - a) Confirmation of full funding for the Phase 2 project
 - b) The execution of a grant agreement with the Department for Education
 - c) The execution of the Development Agreement with the City of Wolverhampton College
7. Authorise the Chief Operating Officer to negotiate, execute, seal and complete all necessary and ancillary documents to give effect to the above recommendations.
8. Authorise the Director of Finance to enter into all necessary grant agreements.

Recommendations for noting:

The Cabinet is asked to:

1. Note that, in line with existing approvals, the Council will continue to cash flow the project until external funding streams are received.
2. Note that, a future report will set out the proposals, and procurement strategy, for the works to Central Library related to façade restoration and provision of facilities for Adult Education.
3. Note that, in line with the Constitution, that the Director of Finance and Chief Operating Officer will complete all necessary and ancillary documents, in respect of Government grants received in support of the City Learning Quarter.

1.0 Purpose

- 1.1 In 2017 the Council committed to lead the development, and realisation of the City Learning Quarter (CLQ) and since this time has pump primed investment in the site at a value of over £7 million progressing essential land acquisitions, site clearance works, design and planning to enable the scheme to be delivered. The Council has continued to be the lead body for delivery of the project, working in partnership with the City of Wolverhampton College.
- 1.2 The report provides an update on the progress of the project. The report notes that the Phase 1 project (CoWTechC) is underway and on track to complete in Summer 2024. The report also details the status of the Phase 2 project (Main College and Central Library), outlines the latest cost projections and seeks approval to an updated funding strategy to enable its completion.

2.0 Background

- 2.1 The CLQ programme creates two highly accessible learning hubs that are centrally located and connected by bus and tram links at Wellington Road, Bilston and Metro 1 City Centre, by bringing together key educational services (College, Library and Adult Education) to support lifelong learning and civic participation for people of all ages and backgrounds. Upon completion of Phase 1 and Phase 2 projects, CLQ will deliver:
- Two high quality teaching campuses with exciting new facilities for the City of Wolverhampton College at the Wellington Road, Bilston and Metro 1, City Centre locations.
 - A City Learning Quarter in the heart of Wolverhampton City Centre that offers life-long learning for all ages.
 - Education facilities with significantly improved accessibility and connectivity.
 - Reduced carbon emissions through improved access to public transport.
 - Safeguarding of existing jobs and creation of new jobs within Wolverhampton.
 - Increased footfall in the city centre.
 - The release of multiple sites in Wolverhampton for new homes and mixed-use development.
- 2.2 The delivery of the CLQ programme remains a top priority for the Council as these transformational learning facilities will be highly accessible and inclusive, providing an outstanding contemporary learning experience for the people of Wolverhampton and beyond, and significantly contributing to the West Midlands' Levelling Up ambitions in terms of positive outcomes for skills and employment.

3.0 Phase 1 - CoWTechC

- 3.1 CLQ Phase 1 is on track to provide a brand-new, purpose-built City of Wolverhampton College Technical Centre (CoWTechC) at the City of Wolverhampton College, Wellington Road, Bilston Campus with construction completing by July 2024.
- 3.2 CoWTechC is due to open for the academic year in September 2024. It will focus on STEM (Science, Technology, Engineering and Maths) study and provide dedicated specialist teaching and learning space for advanced engineering and motor vehicle courses (traditional / hybrid / electric) which will be relocated from the College's existing Paget Road campus.
- 3.3 CoWTechC contributes to national, regional and Council priorities of education, training, skills and employment, Brownfield land /sustainable / green development /technologies.
- 3.4 The project is being fully funded from external grants secured from Black Country Local Enterprise Partnership (BCLEP) of £0.35 million and West Midlands Combined Authority (WMCA) of £7.75 million within a total budget of £8.1 million. The project is expected to complete within the approved budget. The BCLEP grant of £0.35 million has been fully spent and the WMCA grant is on track to be spent in its entirety by the required deadline of 31 March 2025.
- 3.5 In March 2023, the Council awarded the NEC4 Option A Design and Build contract for CoWTechC to Speller Metcalfe Limited.
- 3.6 The Council formalised contractual arrangements for the delivery of CoWTechC by signing a Grant Agreement with WMCA and Development Agreement with the City of Wolverhampton College. Barclays provided consent to the Council for the Development and the Department of Education is aware of the progress and is in support of Phase 1.
- 3.7 The project has advanced to RIBA Stage 4 technical design, with pre-construction activity undertaken and all pre-commencement planning conditions discharged. The project team has engaged with the Coal Authority following the identification of a previously unrecorded historic mine shaft and agreed required remedial works. In accordance with the Coal Authority's advice grouting of the mine shaft was completed in June 2023 and the Coal Authority has also issued a permit to construct over the mine shaft in readiness for construction works to commence on site this month.

4.0 Phase 2 - City Learning Quarter (City Centre)

- 4.1 The co-location of the brand-new Main College Campus, a refreshed and digitally enabled Central Library, and Adult Education provision, will create a lifelong learning hub for access by people of all ages and backgrounds and forms the City Learning Quarter (CLQ). The CLQ is located in the City Centre, bounded by Garrick Street, St. George's Parade, and Bilston Street.
- 4.2 CLQ Phase 2 comprises 3 component projects (Main College works; Library Façade Restoration; and Library and Adult Education internal improvements) which are being

funded through multiple sources; BCLEP, Levelling Up Fund (LUF), Towns Fund, Department for Education (DfE) and Council Contributions within a total capital budget of £51.56 million.

- 4.3 Contracts for the Architectural, Mechanical and Electrical, Structural, and Civil Engineering Services to take the Phase 2 College project from RIBA Stage 4 to 7 have been successfully completed and executed earlier this year.

Main College Building Project

- 4.4 The Main College buildings will provide state of the art facilities supporting courses in health and social care, hair and beauty, food technology/catering, art and design technology, media, music, science, A-Levels and Higher Education subjects. The existing main College campus at Paget Road will be replaced when CoWTechC and the new Phase 2 College building becomes operational.
- 4.5 In October 2022, the Council entered into a pre-construction contract, Professional Services Short Contract (PSSC) with McLaughlin & Harvey Limited for the main college building, refurbishment and external works that form part of the CLQ Phase 2 project.
- 4.6 In accordance with the pre-construction Professional Services Short Contract (PSSC), McLaughlin & Harvey have completed advanced detailed and technical designs to RIBA Stage 4, undertaken site preparation, service diversion and infrastructure works and have issued a fixed price for the main construction contract. The fixed price for the NEC4 construction contract exceeds the pre-tender forecast and the budget allowance for this project component. This is attributable to prevailing market conditions restricting labour and building material supplies and ongoing inflationary pressures resulting in price hikes. This has been further compounded by delays in entering into contract which are dependent upon third-party approvals.
- 4.7 The Project Team and McLaughlin & Harvey have reviewed the scope and costs, and undertaken mitigation and value engineering work to provide opportunities to reduce costs. Following conclusion of this exercise, McLaughlin & Harvey have provided a revised fixed contract sum and updated programme to form part of the Stage 2 NEC4 Construction Contract.
- 4.8 The Contract sum, based on an agreed works package stands at £40.2 million. In order to secure this contract sum, the council must enter into contract by 27 September 2023. Beyond this date the contract sum will no longer be fixed and may increase further. The implication of this contract sum is discussed in section 5.
- 4.9 The Council's Procurement Team and external Cost Management consultants have reviewed the contract sum with reference to relevant sector costs and inflation pressures in the current construction market and are of the view that the contract sum represents value for money.

- 4.10 Prior to entering into the NEC4 construction contract the Council and the College will work together to ensure that all relevant legal, funding and contractual matters detailed below have been concluded in order to facilitate project delivery:
- The freehold transfer of the land and property comprising the new college buildings and facilities to the College upon practical completion requires the Council to obtain section 123 consent from the Secretary of State for Levelling Up to transfer the Council assets to the College on below market value terms. The section 123 application was submitted for consideration to the Secretary of State for Levelling Up on 20 February 2023 and the outcome is awaited.
 - Development Agreement between the Council and College.

Central Library Façade Restoration Project

- 4.11 Following a tender exercise, the contract for the Central Library Façade Restoration work was not awarded to the successful contractor in February 2023 as expected. The reason for this was that the contractor sought significant changes to the tendered contract after the contract was awarded to them. These changes included the removal of a Performance Bond. Further financial checks on the company highlighted that the advisory contract limit for the company fell short of the Contracted Sum. The requested changes would have breached procurement regulations. Due to these issues, the first tender was aborted, and a re-tender exercise is in progress as outlined below.

Central Library and Adult Education Internal Improvements

- 4.12 The Internal Library and Adult Education works contractor procurement workstream was temporarily paused to enable sequencing of various contractors' activities within the development site and confirm operational space requirements for Library and Adult Education services which fed into the final design.
- 4.13 As both the Library Façade and Adult Education and Library internal works are at procurement stage, the proposal to combine these into a single procurement contract is being considered, which would deliver efficiencies and also provide benefits to the Council for contractor and site management (including Health and Safety matters). The project is therefore expected to enter the procurement phase later this year and complete by March 2025.
- 4.14 Unfortunately, owing to the overall Phase 2 project delay due to the above reasons this will now not achieve practical completion in Autumn 2024 as previously reported. If the Council is able to enter into a construction contract by 27 September 2023 McLaughlin & Harvey's programme forecasts practical completion in September 2025.

5.0 Budget and Funding Strategy

- 5.1 In April 2022 a budget of £59.6m and a funding strategy was approved based on estimated costs. Critically the report recognised that the forecast costs at that time were subject to tender prices being obtained and also that cost increases were being seen

across the UK construction sector. Consequently, Council approved that an additional contribution be made by the council as a funder of last resort to enable this key project to proceed.

- 5.2 The external advisors have updated the project cost projections in light of the latest information including tender prices and costed risk register tools, using the most likely scenarios. The latest forecast for the overall programme comprising Phases 1 and 2 is now £69.5 million. As a result, there is a pressure on the budget of approximately £10 million.
- 5.3 The Council has worked hard to explore all opportunities to secure additional funding from the college, DfE and DLUHC to enable this key project to continue. The Council has already secured additional funding to contribute to the shortfall and has asked government departments to make a similar increase in their contributions.
- 5.4 A proposed funding strategy bridging the £10 million shortfall is shown in Table 1 with detail of the additional funding provided in the following paragraphs.

Funding Source	£m
Council (already approved)	4.00
DfE	2.00
Proceeds from council and college disposal receipts, contributions and additional government grant	4.00
Total	10.00

Council contribution

- 5.5 On 6 April 2022 Council approved a funding strategy to enable delivery of the CLQ. As the enabler of this project the Council committed to cashflow project expenditure, through temporary borrowing until grants are received. Council also approved that the council would make an additional contribution as a funder of last resort. In light of the increased project costs outlined, it will be necessary for the council to call on this contribution as part of a package of funding secured with partners.
- 5.6 As previously approved, the Council will also continue to cash flow the project until the various funding contributions are received including any proceeds from site disposals.

Department of Education

- 5.7 In April 2022 Council was informed that the council and college would be seeking government funding of £20.4 million. The college were successful in bidding for and securing £20 million of funding from the Department of Education which enabled the original funding strategy to be completed.

5.8 More recently in July 2023, in recognition of the significant increase in costs due to inflation, and the subsequent £10 million funding gap, the Department of Education confirmed that an additional £2 million (10%) of funding would be made available.

Additional sources of funding

5.9 The remaining funding gap is currently at £4 million. The Council has been working with partners to secure funding to close this gap. It is anticipated that sufficient funding is available through a combination of the following income streams: a proportion of joint proceeds from council and college disposal receipts, contributions and additional grant from Government.

6.0 Evaluation of alternative options

6.1 The Council has an option to do nothing as the PSSC has ended and there is no legal obligation to proceed with the NEC4 Construction Contract with McLaughlin & Harvey. However, this will result in construction costs increasing and further delays, ultimately resulting in the cancellation of the project as it becomes unaffordable. There may be clawback implications as spend to date on Phase 2 has been part funded from Levelling Up Fund and Towns Fund.

6.2 A further option is to reduce the scope of the planned project for the Phase 2 College. This would result in significant risk to the delivery of agreed outputs and intended outcomes, including maximising opportunities for learning for young people. This option would result in delays to the project and risks to grant funding if agreed outputs cannot be delivered as agreed.

6.3 Each of the government grants are conditional on delivery of agreed outputs and to agreed timescales. Any further delay to the delivery of phase 2 could put the project at risk of losing grant funding.

6.4 The Council's Procurement Team and external Cost Management consultants have reviewed the tendered Phase 2 Construction Contract Sum issued by McLaughlin and Harvey and advised that this still represents good value for money in the current economic climate. An uplift to the approved overall capital budget would provide funds to enter into the NEC4 Contract to enter into the construction phase to complete this project and is therefore the preferred option to realise this key priority scheme for the City.

7.0 Reasons for decisions

7.1 The approval of revised budget and funding strategy will enable the Phase 2 project to be implemented as intended.

8.0 Financial implications

8.1 Details of the increased project costs and the funding strategy are provided in the body of the report. The following table provides a breakdown of the overall funding solution.

	Funding Source	£m	Notes
Phase 1	Black Country LEP	0.35	Secured
	WMCA	7.75	Secured
Total		8.10	
Phase 2	Black Country LEP	0.10	Secured
	Council	10.00	Secured within existing approvals
	Towns Fund	5.00	Secured
	DLUHC - Levelling Up	20.00	Secured
	DfE	22.00	Secured
	Contributions	0.30	Secured
	Proceeds from council and college disposal receipts, contributions and additional government grant	4.00	Not secured
Total		61.40	
Project total		69.50	

- 8.2 Each of the government grants are conditional on delivery of agreed outputs and to agreed timescales. Any further delay to the delivery of Phase 2 could put the project at risk of losing grant funding.
- 8.3 As previously approved, the Council will also continue to cash flow the project until the various funding contributions are received including any proceeds from site disposals. In accordance with the Constitution the Director of Finance will continue to be responsible for determining the method of financing capital schemes and in any one year will determine the appropriate application of grants, external contributions, council capital receipts and borrowing.
- 8.4 The Levelling Up report also on this agenda explains that Wolverhampton has been invited by DLUHC to be a pathfinder authority to pilot a simplified approach to funding. This includes understanding how spending flexibility can support local authorities to respond to changing economic conditions. Pilot authorities will have greater ability to make decisions about moving funding between projects in their funding portfolio. The City Investment Board will act as the consolidated governance for the pilot. Currently all funding in the portfolio is committed however should any funding become available the pilot arrangements give Wolverhampton the ability locally to move funding around to support pressures such as are being experienced on the CLQ project.
[CN/01092023/A]

9.0 Legal implications

- 9.1 The Council has currently granted a fifteen-year lease for Wolf Mountain which expires in August 2024, prior to this date the Council must serve six months' notice for vacant possession. The Council in disposing of this site will need to obtain best consideration during the process.
- 9.2 In relation to the transfer of the Main CLQ Campus (Phase 2), the Council is required to seek consent from the Secretary of State under S123 of the Local Government Act 1972 where any disposal is at less than best consideration. The Council has commenced this process.
- 9.3 The Development Agreement between the Council and the City of Wolverhampton College will formalise the arrangements for the delivery of the Phase 2 Campus. It will govern the relation between the parties during the construction phase and provide consent to the Council for its contractors to undertake the work. The DfE are engaged in the process of being consulted upon the terms of the Development Agreement between the Council and the College as required under the condition of the funding.
- 9.4 The Council will enter into a NEC4 Option A Contract with McLaughlin and Harvey upon the execution of the Development Agreement and securing of the funding. The Construction Contract will be managed by our professional advisors (Turner & Townsend). Under the Contract, the Contractor will provide warranties to the College in a form approved by the College's legal team.
- 9.5 In delivering this project, the Council has received funding through Grant Agreement from various external bodies. The Council will need to comply with the terms of the funding agreements and meet reporting timescales, failure to do so may result in clawback of all or some of the funding.
- 9.6 The Council's has received assurance that its funding contribution is compliant with the Subsidy Control Act 2022, and the Council's legal team is supported by external legal advisors to ensure that contractual documentation including the construction contract and professional appointments with our advisors are robust.
[SZ/31082023/P]

10.0 Equalities implications

- 10.1 Under the Equality Act 2010, the Council has a statutory duty to pay due regard to the impact of how it carries out its business on different groups of people. This is designed to help the Council identify the particular needs of different groups and reduce the likelihood of discrimination; the nine equality strands (protected characteristics) covered by the legislation are Age, Disability, Gender reassignment, Pregnancy and Maternity, Religion or Belief, Race, Sex, Sexual Orientation, Marriage and Civil Partnership (this strand only applies to employment and not to service delivery).

- 10.2 It is not anticipated that there will be any negative impact on any groups with protected characteristics, under the terms of the Equality Act 2010 or those groups not protected from the CLQ project and the recommendations set out in this report.
- 10.3 The CLQ project will create accessible and connected learning hubs at the City Centre and Bilston directly and indirectly positively contributing to the following aims of “Our City: Our Plan”; “more local people into good jobs and training” and “thriving economy in all parts of the city” and “healthy, inclusive communities”.
- 10.4 As part of its statutory duty, the Council in conjunction with its preferred contractors will continue to consider the equalities implications on protected and non-protected characteristics as each project component moves forward into construction contract award / delivery stages so that measures can be affected to mitigate negative impacts.

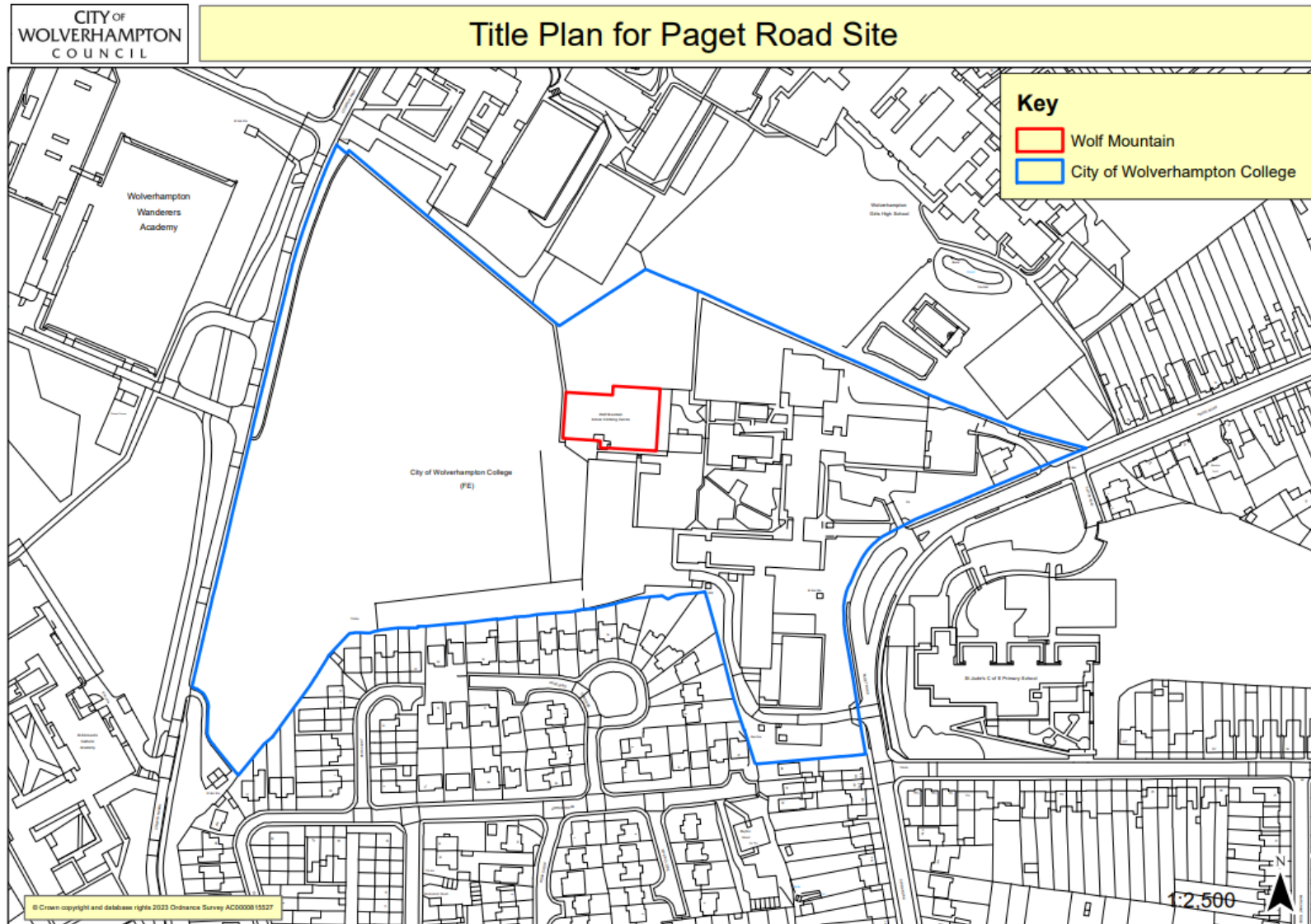
11.0 Schedule of background papers

- 11.1 Individual Executive Decision Notice – 9 January 2023, ‘City Learning Quarter – City of Wolverhampton College Technical Centre – Construction Contract Award Update’
- 11.2 Individual Executive Decision Notice – 5 August 2022, ‘City Learning Quarter Phase 2 – Professional Service Short Contract’
- 11.3 Council - 6 April 2022, ‘City Learning Quarter Delivery’
- 11.4 Cabinet (Resources) Panel - 19 January 2022, ‘City Learning Quarter Delivery’
- 11.5 Cabinet (Resources) Panel – 20 October 2021, ‘Progressing the City Learning Quarter’

12.0 Appendices

- 12.1 Appendix 1 - Site plan of Paget Road site

Appendix 1 – Site Plan of Paget Road Site



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