

CITY OF WOLVERHAMPTON COUNCIL	Cabinet 31 July 2019
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Report title	City Learning Quarter		
Decision designation	AMBER		
Cabinet member with lead responsibility	Councillor Harman Banger City Economy		
Key decision	Yes		
In forward plan	Yes		
Wards affected	St Peter's		
Accountable Director	Richard Lawrence, Director of Regeneration		
Originating service	Regeneration		
Accountable employee	Richard Lawrence Tel Email	Director of Regeneration 01902 555533 richard.lawrence@wolverhampton.gov.uk	
Report to be/has been considered by	Regeneration Leadership Team	18 June 2019	
	Strategic Executive Board	18 June 2019	

Recommendations for decision:

The Cabinet is recommended to:

1. Approve the delivery of the City Learning Quarter project in line with the business case and funding strategy.
2. Approve funds of up to £4 million to progress the design and fund the continued development of the project, to be repaid once additional grants have been secured.
3. Approve for City of Wolverhampton Council to lead on both the City Learning Quarter and Wellington Road BCLEP bids (on behalf of City of Wolverhampton College) to deliver a comprehensive programme.
4. Approve that supplementary budgets are established for the Wellington Road project, subject to funding.

1.0 Purpose

- 1.1 On 20th September 2017, Council approved the capital budget of £50million for the City Learning Quarter and approved that authority be delegated to Cabinet to approve final business case and funding strategy.
- 1.2 The purpose of this document is to provide an update on the City Learning Quarter (CLQ) programme and to approve the final business case and funding strategy.
- 1.3 The funding strategy is subject to receiving grants through the Black County Local Enterprise Partnership (BCLEP) and therefore Cabinet are asked to consider approving the ongoing use of Council resources to fund the project until such time as external funding is secured.

2.0 Background

- 2.1 The New Horizon 2030 Vision for Wolverhampton sets out the ambition to ensure that the City Centre has 'a skills system which responds to the needs of employers' and is integral to the City of Wolverhampton's vision for the continued transformation of the City Centre.
- 2.2 The aspiration is to concentrate the College onto two main campuses in the City Centre and at Wellington Road in Bilston. This will enable the current campus at Paget Road to be disposed of to provide funding to support the new campus in the City Centre. Paget Road is a 1950's campus in a residential area outside of the City Centre which is not fit for purpose.
- 2.3 The intention is to provide a new learning campus that links the existing Metro One college building to the Adult Education facilities and Library in the City Centre by providing new and expanded learning facilities.
- 2.4 The benefits of the CLQ project will be in three key areas: education, jobs and regeneration. The programme provides a viable and sustainable future for City of Wolverhampton College. The consolidation into the City Centre along with increased concentration of Adult Education and the main Library provides a learning campus that supports the development of young people and their education and enhances employment prospects. It also provides a major regeneration stimulus to the City Centre. The economic effects have been independently assessed and are summarised below.
 - 248 New Jobs created
 - 497 Jobs safeguarded
 - £223 million Gross Value Added.
- 2.5 When including monetised impacts, the overall Benefit Cost Ratio is 5:1 (for every £1 invested in the project, an additional £5 is delivered in economic benefits), demonstrating excellent potential investment returns. The project will also deliver:

- College population of almost 4000 students by 2023-2024 with further expansion beyond;
- Enabling development of 106 to 214 houses depending on development density;
- 11.82 ha of sites redeveloped;
- 4225 km reduction in private car journeys per day;
- 613 tonnes of CO2 per year not released into the atmosphere.

As such, the programme is a strategic priority for the Council.

2.6 The funding strategy has been developed with partners which demonstrates that the CLQ project can be delivered with a funding package including:-

- Capital receipts from Paget Road
- BCLEP Grant Funding
- Rental payment from college
- Prudential borrowing of £6m.

Further information is provided in section 6, Financial Implications.

3.0 Progress

3.1 Significant progress has been made including:

- The education model and projected growth of the College has now been agreed;
- Project Scopes have been fixed and multiple design studies completed;
- A Procurement strategy has been endorsed by the board and contractors engaged under the (Public sector compliant) SCAPE framework;
- Demolition and site clearance has received planning consent and is underway;
- Public consultation event was held in May 2019;
- A bid was submitted to the BCLEP in June 2019.

3.2 During Spring of 2019 the college submitted an application to BCLEP for funding to support design and site investigation activity for the Wellington Road project. This was rejected by BCLEP for reasons unknown and as a result the Programme Board considered their response. The LEP was engaged at the highest level to establish the appetite for supporting the wider college relocation programme (CLQ plus Wellington Road project) and it was agreed that an application would be made for Wellington Road which was not developed to the level of detail normally required alongside a full CLQ application.

- 3.3 It was further agreed by the Programme Board that the day to day management and responsibility would transfer from the college to the CWC team from 1st July 2019. The team will be developing a plan to assume the responsibility for this project in the short term, and the plan will be presented to the CLQ Programme Board at the beginning of August 2019.
- 3.4 The construction activity can be described as follows:
- College Building consisting of 2/3 new build activity on the NE and NW corners of the site with the existing Metro 1 building being substantially remodelled
 - Conversion and extension of the existing vacant St Georges old rectory
 - Remedial works to the Library façade and roof that seeks to rectify historic lack of maintenance
 - New rear entrance to the Library and refurbished public toilets
 - Modest reconfiguration, rationalisation and very light touch refurbishment of some Library areas
 - Internal reconfiguration of the '30's building' and the Alan Garner building on Old Hall Street to accommodate Adult Education with a new link
 - Light touch repairs and reconfiguration of the existing public open space.

Next Steps

- 3.5 In order for the projects both CLQ and Wellington Road to proceed to current programme timescales, it is necessary for work to continue on the detailed design and costings. The funding bids have been submitted to the BCLEP, however it will take a number of months for the appraisal work and due diligence to be completed ahead of grant contracts being signed.
- 3.6 Therefore, in order to proceed with these works, it is recommended that the Council funds the costs of these activities until the BCLEP funding is secured. It is anticipated that these costs will total up to £4 million and will be recouped from the grant, once secured. The costs are made up of further development spend including; project management and professional fees, site investigation, archaeological and survey work, planning fees, demolition and remaining site acquisitions.

4.0 Evaluation of alternative options

- 4.1 Cabinet could decide to not proceed further with this project. Site assembly in the City Centre has been largely completed including the demolition of the former Faces nightclub building. The cleared site could be brought forward for alternative uses. However this would not deliver the vision and outputs of the CLQ project which would put the financial status of the college at risk whilst not delivering the Council's regeneration ambitions for this area.

5.0 Reasons for decisions

- 5.1 The recommendation is to deliver the scheme and provide sustainable high quality education and skills for the people of Wolverhampton through the delivery of this key regeneration scheme.

6.0 Financial implications

- 6.1 On 20 September 2017 Council approved a £50 million budget for the City Learning Quarter and delegated approval to Cabinet to approve the final business case and funding strategy. Of this £50 million budget the approved capital programme includes a £6 million budget to enable site acquisitions and associated fees to bring forward the site for development, the Council has funded this budget through prudential borrowing.
- 6.2 The design and costing work to date indicates that the project can be delivered within the £50 million budget originally anticipated; cost estimates at this stage indicate that a project budget of £43 million will be required and that this will be funded through external grants, a contribution from the College, from the sale of their Paget Road site and Council resources. The following table provides a summary of the proposed funding package. A funding application was submitted to the Black Country LEP at the end of June 2019.

6.3 Table 1

Funding Source	Estimated £m
Capital Receipt from Paget Road	2.0
Borrowing funded by College Rent	8.0
Prudential Borrowing funded by the Council	6.0
External Grant request up to	30.0
Total	46.0

- 6.4 These costs are subject to change as the design process moves forward, however it is anticipated the £50 million envelope is still sufficient. The detailed design will progress to the next stage which will inform development and validation of detailed costings and associated contingency provisions. Any changes to the £50 million budget envelope will be reported to Cabinet.
- 6.5 The Council's approved budget of £6 million has been fully expended on site acquisitions, design fees, and site clearance works further funds are therefore required to continue with the early phases of the project, in line with the current programme.
- 6.6 It is intended that any further spend will be carefully monitored to ensure abortive costs are not incurred and therefore minimise risk to the Council should grant funding fail to be secured or be delayed. To allow the programme to continue in line with the project delivery plan it is considered approximately £4 million of forward funding will be required to take the project through the next stages of design, planning, site investigations and fees. This can be funded through the existing approved budget already in the Council's capital

programme. The approximate annual costs of borrowing the £4 million over the 40 year life of the asset are £163,000 per annum.

- 6.7 It is of note that this forward funding will be repaid by the Grant funding, once secure. The costs of the project are not increasing but to enable the pace of the project to continue, these activities are required prior to the LEP funding approval, currently envisaged for December 2019.
- 6.8 In line with the Project Board decision and in order to enable a comprehensive programme CWC will also take responsibility for the Wellington Road project. An additional funding bid has been submitted to the LEP for this project, approval of funding is again anticipated in December 2019.
- 6.9 The transfer of this responsibility to CWC has not yet taken place however at this point it is understood this project will be funded from LEP grant and the College's capital receipt and therefore will not require additional Council borrowing. As part of the ongoing delivery of this project it is requested that an additional supplementary budget is approved to allow the initial stages of the project to commence, the estimated expenditure on the Wellington Road scheme up to funding approval is £1 million. This is included in the total forward funding request of £4 million and again can be accommodated in the existing approved capital budget for the CLQ and will be recovered from the grant once approved.

[HM/23072019/F]

7.0 Legal implications

- 7.1 In order to receive the grant funding from the BCLEP the Council will be required to submit an application for funding. If the funding is agreed in principle, the Council will then be required to enter into a grant funding agreement with the accountable body.
- 7.2 The standard terms of the grant funding agreement require that the property which is developed using the grant funding is not charged and the Council do not dispose (including a lease) of any of the property without the consent of the accountable body. The current proposals for the CLQ involve a lease of part of the CLQ to City of Wolverhampton College which would then charge the leasehold interest to its lender. The Council would therefore be required to negotiate the consent of the accountable body to the disposal and the charge. There is a risk that the BCLEP may not be willing to provide such consent. If consent is not provided the Council may be subject to clawback of funds.
- 7.3 The standard terms of the grant funding agreement also set out that the Council must obtain all necessary consents for the project. The proposals for the CLQ project require a lease of part of the CLQ to the College for an undervalue. Such undervalues are not permitted under S.123 Local Government Act 1972 without Secretary of State consent. The Council will therefore need to apply for consent to the Secretary of State and obtain such consent in order to comply with the terms of the grant funding agreement. It is not

certain that the Council would receive this consent. If the consent is not provided the Council may be subject to clawback.

- 7.4 The Council has obtained advice that the proposals for the CLQ are in accordance with State Aid requirements. In order to obtain this advice, the Council needed to assess the use of the CLQ for non-commercial and commercial purposes. A similar exercise would need to be undertaken for the Wellington Road site to ensure that it is in compliance with State Aid requirements.
- 7.5 The Council is likely to be required to enter into a grant funding agreement for the works to be undertaken at Wellington Road. The standard terms require a certificate of title confirming that the recipient owns the property to be developed. As the Council do not own the property it will be necessary to negotiate an amendment to the standard terms. If the BCLEP will not agree to this, it may not be possible for the Council to receive the grant funding for Wellington Road
- 7.6 The Wellington Road site is subject to a charge to the College's lender. In order to carry out the works it will be necessary to obtain the lender's consent or remove the charge.

[TS/02072019/Q]

8.0 Equalities implications

- 8.1 The proposals described here will advance equalities for a range of learners. The report second recommendation asks for approval in relation to design and as the new site will be built to stronger access standards than those in operation when Paget Road was built this will provide better learning facilities for disabled students. Additionally, since the location of the new facility is city centre this too will create transport and therefore learning advantages for groups of people who otherwise may have struggled to access an out-of-city centre course. These equalities implications have been considered throughout the development of the programme and routinely via the council's procurement processes.

9.0 Environmental implications

- 9.1 The proposals will reduce carbon emission by over 600 tonnes of CO₂ per year. The proposals will reduce NO_x emissions by over 300 kg per year.

10.0 Human resources implications

- 10.1 Human Resource implications from this proposal will arise for staff from the City of Wolverhampton College, as a result of relocating existing staff from one site to another, and recruitment to new posts.
- 10.2 All relevant Human Resource policies and procedures will be followed dependant upon the impact of this proposal.

- 10.3 Recruitment to new posts and any revision to existing posts will adhere to the Council's job evaluation process. The nature of the change(s) will determine whether the Council's restructure policy is to be implemented, with consultation with employees and recognised trade unions, or the use of the Council's recruitment policy.

11.0 Corporate landlord implications

- 11.1 Corporate Landlord have been and remain an integral part of the delivery team. Wolverhampton Library and Adult Education are already part of the estate and other than the management of building contracts are unaffected from a Corporate Landlord perspective. Metro1 is the existing asset owned by CWC and currently leased to the City of Wolverhampton College. Several legal agreements are required prior to the substantial remodelling of this asset; including consent from Barclays who are the beneficiary of a charge against this asset. Barclays also require alternative security in the short term while this work is undertaken.

12.0 Health and Wellbeing Implications

- 12.1 City Learning Quarter will create a significant learning hub in the city centre consisting of the College, the Council's Adult Education service and Library in one location. This will enable the city to improve the learning, skill, apprenticeship and employment levels with a significant enhancement in accessibility for students, employers and residents. The provision of new facilities and services to advance education and skills across the city will in turn improve outcomes, mental health and wellbeing.

13.0 Schedule of background papers

- 13.1 Full Council, 20 September 2017 – [City of Wolverhampton City College](#)