

Report title	City Learning Quarter Delivery	
Decision designation	RED	
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	Zareena Ahmed-Shere Tel Email	Regeneration Manager 07890397677 Zareena.ahmed- shere@wolverhampton.gov.uk
Report to be/has been considered by	Regeneration Leadership Team Strategic Executive Board	21 December 2021 6 January 2022

Recommendations for decision:

That Cabinet (Resources) Panel recommends that Council:

1. Approves, that if the Council receives confirmation of the remaining funding from Government, temporary borrowing would be provided in order to cash flow the project until grants are received.
2. Approves that as a funder of last resort, the Council provide up to £x of budget, funded by borrowing, to provide additional contingency for the project. This recognises the cost increases being seen in the construction sector and that the current project estimates are subject to tender prices. Further approve the delegation of authority to the Leader of the Council and Deputy Leader: Inclusive City Economy in consultation with the Directors for Regeneration and Finance to build in the supplementary budget up to the approved amount at such a time as required.

That Cabinet (Resources) Panel approves:

1. That the procurement of the construction contract is progressed in line with the procurement strategy outlined in the report, but that a contract is only awarded when all funding is secured.
2. The delegation of authority to the Leader of the Council and Deputy Leader: Inclusive City Economy in consultation with the Directors for Regeneration and Finance to award contracts for the delivery of Phase 2 of the City Learning Quarter to the successful tenderers following the procurement processes outlined in this report.
3. The delegation of authority to the Leader of the Council and Deputy Leader: Inclusive City Economy in consultation with the Chief Operating Officer and Director of Finance to enter into any necessary agreements, contracts or arrangements for the delivery of the Phase 1 and Phase 2 of the City Learning Quarter Scheme.

Recommendation for noting:

That Cabinet (Resources) Panel is asked to note:

1. That the Council intends to transfer the freehold of the College building land on completion of the works, and notes that this will be the subject of a further report.

1.0 Purpose

- 1.1 This report provides an update on the overall financial status of the City Learning Quarter (CLQ) following the conclusion of various funding applications that were submitted during 2021. This report seeks approvals to enable the project to proceed whilst final confirmation of funding is secured.
- 1.2 The report also considers the procurement options available and notes the intention to transfer freehold of the College building on completion.

2.0 Background

- 2.1 CLQ is a two phased programme with a vision to bring together and combine the City's key learning services (College, Library and Adult Education) in two centrally accessible locations. The Phase 1 project is underway to establish a City of Wolverhampton College Technical Centre (CoWTechC) at the Wellington Road, Bilston campus to with a focus on Advanced Engineering, Motor Vehicle and Science, Technology, Engineering and Maths (STEM) study. The Phase 2 project will create a vibrant lifelong education hub in the heart of the City Centre by a remodelling, refurbishment and extension of the College's Metro One building and provision of a modernised and integrated Central Library and Adult Education facilities. This project has been designed to Royal Institute of British Architects (RIBA) Stage 3, with the site fully assembled and cleared and planning consent in place it is ready for a start on site following funding confirmation.
- 2.2 The programme makes a significant contribution to local, regional, and national policies by stimulating learning and economic activity. The scheme will make a visible and tangible impact to the lives of local residents and business communities through direct investment in skills and education in economic growth areas, which will play a vital role in closing the productivity gap. CLQ will contribute to the wider programme of placemaking and economic regeneration already underway in the City as part of its Relight Recovery commitment. In addition, the scheme will support city centre revitalisation / repurposing / vibrancy and footfall / evening economy in response to the changing retail landscape. It will contribute to the green / carbon zero agendas through the provision of outstanding new and refurbished energy efficient buildings on two centrally located brownfield sites (connected by bus and tram) that will more promote greener and sustainable transport options. For these reasons CLQ continues to be the Council's top regeneration priority as it is fundamental to helping address local challenges (that have been compounded since the pandemic) so that the City is able to level up and flourish.
- 2.3 The current College estate contain buildings that are in variable states of repair requiring high levels of maintenance. They are increasingly unsuitable for modern learning environments with the main 1950's Paget Road campus being particularly difficult to access by public transport. These factors are contributing to a steady decline in student intakes in recent years. The City's Adult Education offer is also spread across several buildings around the city and in variable state of repair. The Central Library is a Grade II listed building in urgent need of renovation and modernisation to meet existing and future

user needs. CLQ will address these challenges by creating inspirational, modern, high quality, sustainable, accessible, and flexible teaching and learning spaces which will through service integration and colocation promote lifelong learning and civic participation for people of all ages and backgrounds and ensure future vitality of the College, Library and Adult Education services.

3.0 Project Status and Progress

- 3.1 The Council is leading on the ambitious CLQ programme in partnership with City of Wolverhampton College supported by external consultants.
- 3.2 On 20 October 2021 Cabinet (Resources) Panel was updated on the status of the Phase 1 CoWTEchC Project and the Phase 2 CLQ Central Project including the funding applications to the Levelling Up Fund (LUF) and Further Education Capital Transformation Fund submitted during 2021 to support these schemes. The report also approved the capital budget of £8.1 million to implement the Phase 1 project. In respect of Phase 1 final grant terms are now being agreed with the West Midlands Combined Authority (WMCA) and the procurement process to secure a suitable building contractor started in December 2021. The programme is on track to facilitate the contractor appointment in late Spring 2022 and for construction to commence during Summer 2022 to enable opening for the academic year starting in 2023.
- 3.3 On 27 October 2021 it was announced that the Council was successful in securing the full requested amount of £20 million from the £4.8 billion national LUF pot. The final terms of the grant funding agreement are expected to be with the Council shortly. Authority to enter into the final agreement will be finalised through an Individual Executive Decision Notice (IEDN) in line with the delegated authority provided in the report dated 20 October.
- 3.4 CLQ has also benefited from an allocation of £5 million from the Towns Fund towards the funding of the programme and a Business Case to the Town Fund Board has been submitted to specifically earmark these monies to support the implementation of CLQ Phase 2.
- 3.5 The success of the LUF bid and the allocation from the Towns Fund have both provided major funding components towards the overall CLQ Phase 2 scheme, which together with Black Country Local Enterprise Partnership (BCLEP) and Council contributions have resulted in a total secured funding pot of £31.1 million. The table below demonstrates the revised funding structure, currently there is total secured funding of £39.22 million.

CLQ Programme	Funding Source	Amount £ million	Status
Phase 1 CoWTEchC	BCLEP	0.35	Secured
	WMCA	7.75	Secured
	Total Phase 1	8.10	
Phase 2	BCLEP	0.12	Secured

CLQ Central	Council Contribution	6.0	Secured
	LUF	20.0	Secured
	Towns Fund	5.0	Secured
	Unsecured Funds	20.44	Unsecured
	Total Phase 2	51.56	
Total		59.66	

- 3.6 Phase 1 CoWTechC scheme is fully funded through external grants and in delivery phase. Pre tender cost estimates indicate that Phase 2 requires an investment of £51.56 million, currently circa £31 million is secured leaving a funding shortfall of approximately £20.44 million. Due to increasing inflationary pressure on construction costs this report also requests approval of up to £x , as funding of last resort, to provide additional contingency for the project.
- 3.7 The Council and College are continuing to actively engage with Government departments including Government's Department for Education, Education and Skills Funding Agency and the Treasury to explore funding options to bridge the current funding gap. This may include a resubmission of the College's application to the Further Education Capital Transformation Fund during 2022.
- 3.8 It has been indicated that there is a requirement for the LUF grant to be spent by the longstop date of March 2025 and in order to meet this date, it is necessary to commence delivery of the project early in 2022. If delivery commences in early 2022, the secured funding pot to date of circa £31 million will enable the delivery of project until Summer 2023. Whilst this provides a final date for the securing further funds, the full funding strategy for the project must be secured prior to the awarding of a contract.

4.0 CLQ Phase 2 Delivery Programme

- 4.1 The table below shows the scope of works which includes the removal of redundant buildings, refurbishment, remodelling and extending the College Metro One building, reconfiguring the Adult Education centre, essential repairs to the Library and public realm to link the landscape.

CLQ Site	Work Scope
College	Demolition of Faces building (completed) New build to either side of existing Metro 1 Site Refurbish Metro 1
Library	Repair roof and façade (Grade II* listed building) currently in poor condition and a risk to others New toilets New rear entrance New reception desk and shelving on 1st floor for space efficiency

Adult Education	Vacating the Malting's building Create a new learning resource centre Link Adult Education and part of the existing 1930's Library building Refurbish part of the Central Library to accommodate four new classrooms and associated office spaces
Due to the requirement to keep the College, Adult Education and Library operational throughout, phased building works will enable multiple moves to occur.	

- 4.2 The programme and procurement strategy are driven by the requirement for the project to be procured within the pre-tender estimated budget of £51.56 million and to enable the opening of the new College facilities in September 2024.
- 4.3 The design has been completed to RIBA Stage 3 with planning consent approved. The site has been cleared, redundant buildings removed, archaeological works completed and surveys carried out. External consultants will be retained for project management, cost management and health and safety advice and to oversee the construction and fit out contracts through to completion.
- 4.4 The above actions have allowed risks to be minimised and the formulation of procurement documents to sufficient detail to establish a quick start to the tender process if the recommendations of this report are approved.
- 4.5 CLQ Phase 2 will enable the following benefits to be realised 10 years post completion. The Council and College will record and report on the progress of outputs and outcomes at specific dates to meet the requirements of the LUF and Towns Fund grant agreements.

Scheme Outputs		Benefit Reporter
Jobs created at the College	51	College
Jobs safeguarded in the College	366	College
Jobs created and safeguarded in the economy	745	College
Learner Assists by Year 10	44,961	College
Apprenticeships Started by Year 10	7,539	College
Business Assists by Year 10	115	College
New Build Learning Floorspace	7,503sqm	Council
Refurbished Learning Floorspace	3,339 sqm	Council
Floorspace Rationalised	5,633 sqm	Council
Brownfield Land Regenerated	1 hectares	Council
Gross Value Added	£233 million	Council

5.0 Procurement Strategy

- 5.1 The main college building will be procured using a two stage contracting process to enable early appointment of a contractor, whereby the preliminaries, profit and overheads are competed to select a contractor who will be employed initially under a preconstruction services agreement to enable the work packages to be established and tendered by the contractor during the first stage to establish the final construction cost. The final contract will be an NEC Design and Build Option A Contract.
- 5.2 The Council's appointed Cost Management team will witness and monitor the cost development to ensure it complies with the rules set out in the framework and offers value for money.
- 5.3 On completion of stage one, if the Council is not satisfied with the construction price it is not obliged to continue with the construction contract but will be able to take the developed design back to the market.
- 5.4 A single stage competitive tender was considered, however following market engagement it became clear that no construction companies were prepared to tender for the works due to the extensive bid costs, the risks relating to current market inflation and risk from material and staff shortages. A two stage process allows the contractor to develop the construction design to minimise the impact of these risks and limits abortive tendering costs.
- 5.5 Utilising a framework as opposed to directly approaching the market reduces the legal costs and allows a shorter route to contractor appointment.
- 5.6 It is intended that the works to the library will be procured separately due to the heritage requirements of the building and the delegations above enable this to be carefully considered in the light of expert advice and the most suitable procurement route to be taken.
- 5.7 Appointment of the Project Management team and the Cost Management team for the construction to completion stage of the project will be undertaken using the previously used Crown Commercial Services Project Management and Full Design Team Services framework RM3741 and will be a direct award to maintain the existing management team. Maintaining this team ensures the earliest start of the construction stage of the project, retaining the knowledge and experience of the exiting team. Changing the team would introduce significant delay and risk.
- 5.8 The design responsibility will pass from the Council's current designers to the construction contractor on their appointment. The Council will retain provision from the existing designers to monitor the contractors design, advise the Council on the compliance of the design and act on behalf of the Council in relation to the contractual role of NEC Supervisor, a role required by the construction contract. This appointment will be a direct below threshold appointment. Previous appointments have utilised a

Scape framework as a second-tier supplier. A direct award will avoid the first-tier markup.

- 5.9 The Council will be procure all Construction Works and will enter into all necessary legal agreements (including Fixtures, Fittings and Equipment and Information Communication and Technology) with the College to enable delivery of the programme as indicated below:

Key Activity	Duration months
Contractor Procurement / Contract Award	8 months
Contractor Site Mobilisation	2 months
Construction Period	24 months
Building Fit Out / Information Communication Technology	3 months

6.0 Asset ownership

- 6.1 The Council has taken the lead on site assembly and clearance. The Council has freehold ownership of all of the site with the exception of the Metro One Building which is in College Ownership.
- 6.2 As outlined in the report it is anticipated that the Department of Education will provide the remaining funding required. This will facilitate the refurbishment of College Metro One Building and College New Build Extension. On completion of the work, it is a requirement that the freehold of the College facilities is transferred to the College. The Council will ensure that upon completion the Metro One Building and the New Build will be used by the college for education purposes. The Council intends to transfer the Freehold Land to the College ensuring that it will be used for the purposes outlined providing the transfer of land is justified.

7.0 Evaluation of alternative options

- 7.1 The Council has an option to pause the Phase 2 project until the remaining funds from external sources are secured. As detailed in the report, the LUF and Towns Fund grant awards are time limited and require delivery commencement upon funding confirmation and delivery completion within the funding programme back stop deadlines of 31st March 2025 and 31st April 2026, respectively. The CLQ programme relies on proceeding in early 2022 to allow the above funding conditions to be met. Therefore, if this option is taken there is a risk that the Council would lose all or part of the £25 million already secured from these funding streams.
- 7.2 There is also a risk that delay may increase costs overtime resulting in the scheme becoming financially unviable.
- 7.3 Expenditure to date on the project is circa £7.7 million, which has been invested to bring forward the site for development and includes fees and design costs. There is a risk that if the project cannot progress a small element of the costs incurred to date may need to be charged to revenue.

- 7.4 If further external funding does not come forth, the College will continue to operate from its outdated and hard to reach Paget Road facilities. The College is likely to face an uncertain future with continued erosion of student numbers, crumbling estate, crippling running costs, reduced revenue that will undermine its financial viability, possibly resulting closure and job losses.
- 7.5 The Council has an option through continued dialogue to seek a legally binding confirmation from Government providing assurance that additional funding to support CLQ Phase 2 will be made available. The College and the Council have continued to actively lobby Central Government for the remaining funds. There have been very positive discussions recently between the Mayor of the West Midlands and the Secretary of State for Education which indicates that the funding shortfall will be made available. Building on this positive dialogue, the Council can seek a legally binding document from Government to formalise this commitment and give assurance that additional funding to support the scheme will be provided. If this is achieved the Council will be able to proceed with confidence, cash flowing the project initially by utilising the secured external funding streams, followed by additional Government funds to enable completion of the CLQ programme.

8.0 Reasons for decisions

- 8.1 The report recommends that procurement of the construction contract is progressed but that a contract is only awarded when all funding is secured. This recommendation is made to ensure that progress can be maintained but recognises that the Council cannot underwrite the risk of letting the construction contract until such time as the funding is secured.
- 8.2 It is, however recognised that, should the Government provide sufficient confirmation of the remaining funding, then the Council could cash flow the project utilising the existing grants secured and temporary borrowing until the final grants are received. The report seeks Full Council approval to this approach.
- 8.3 The current estimates are based on pre-tender costings. Contingencies have been built into the forecasts however, given the current cost pressures that are being experienced in the construction market it is felt prudent to seek Council approval to a further borrowing allocation of up to £x. This would be an increase in the capital budget, however it would be a fund of last resort and will be treated as project contingency.
- 8.4 The delivery of the Phase 2 project with the commencement of the contractor procurement process in early 2022 will facilitate the main college campus opening in September 2024.
- 8.5 CLQ will refresh and enhance the City's education facilities, provide a more sustainable future for the Library, College and Adult Education Centre as well as freeing up capacity in other areas of the City for redevelopment to take place. The benefits and outputs from

delivery of the new college are detailed in the report. The indirect outputs and outcomes will flow in the medium and long term following completion of the programme.

9.0 Financial implications

- 9.1 A full review of the estimated costs to deliver the overall CLQ programme (Phases 1 and 2) has been undertaken in November 2021 by the retained external Project and Cost Management Consultants. High level pre-tender estimates indicate that the CLQ programme will require a total revised forecast investment of £59.66 million. It should be noted that this is pre tender pricing.
- 9.2 In view of the total funding of £39.22 million fully committed and sponsored, the funding strategy has moved forward as illustrated in the table below.

Funding Source	£ Million	Status
Council Contribution	6.0	Confirmed
BCLEP	0.47	Confirmed
WMCA	7.75	Confirmed
Towns Fund	5.0	Confirmed
Levelling Up Fund	20.0	Confirmed
Possible - Further Education Capital Transformation Fund / Department of Education Funding	20.44	Unsecured / Ongoing dialogue with various Government Departments
Total	59.66	

- 9.3 While the Phase 1 CoWTechC is fully funded and in the delivery phase, a shortfall of £20.44 million remains to fund the remaining estimated expenditure to deliver the CLQ Phase 2 project.
- 9.4 The Phase 2 project has to date successfully attracted significant amount of funds totalling £31.1 million from the BCLEP, Towns Fund, LUF and the Council's own contribution. The completion of the CLQ programme now relies on securing further funds of £20.44 million, as detailed in the table above. Phase 2 CLQ could be at risk if further Government funding is not realised and furthermore there is a risk that the opportunity to access the LUF and Towns Fund monies already secured may be lost if the project is not able to commence in early 2022 to meet funders requirements.
- 9.5 This report recommends an approach to allow progression of the project whilst remaining funding is secured.
- 9.6 High level pre-tender estimates by the Council's appointed cost consultants have informed that the total costs for delivering the Phase 2 project is £51.56 million. All costs have been re-baselined at the end of 2021 and include adjustments for inflation and procurement, contingency within the respective cost items and exclude VAT. However, it

should be noted that these costs are likely to increase if further delays are experienced in commencing procurement and delivery of the project.

- 9.7 Based on a delivery programme commencing late January 2022, the total estimated expenditure for CLQ Phase 2 is profiled over financial years 2021-2022 to 2024-2025 as shown in the table below which also shows the total projected project expenditure over the project's financial lifetime.

	Amount (£ million)				Total
	Pre 2022	2022 - 2023	2023 - 2024	2024 – 2025	
Total	8.01	8.86	25.23	9.46	51.56

- 9.8 As previously noted, the current estimates are based on pre-tender costings. Project contingencies of £x have been built into the forecasts across both phases of the project however, given the current cost pressures that are being experienced in the construction market it is felt prudent to seek Council approval to a further borrowing allocation of up to £x. This would be an increase in the capital budget; however, it would be a fund of last resort and will be treated as project contingency.
- 9.9 The approved capital programme includes a council contribution of £6 million, however, on 31st July 2019, Cabinet approved that a further allocation of £4 million could be expended to continue the project, on the understanding this amount would be recovered from secured external grants wherever possible.
- 9.10 A total expenditure of £7.7 million has been defrayed which has enabled design work, site surveys, ground investigations, site acquisition and clearance to be completed.
[HM/14012022/K]

10.0 Legal implications

- 10.1 In line with the delegated authority given by Cabinet Resources Panel on 20 October 2021, the Council will upon agreement of terms enter into multiple funding arrangements with various external funding bodies. The Council must comply with the terms of the funding, failing to comply may result in claw back of all or part of the funding.
- 10.2 The Council will need to ensure that through this project its potential liabilities under the existing guarantees are minimised and where possible extinguished. As detailed in the body of the report, separate authority will be required to dispose of the Council's freehold parts of the land to the College. In relation to such disposal, the Council must comply with its Constitution and also Section 123 of the Local Government Act 1972.
- 10.3 Due to the complex nature of the project and to mitigate risk, the Council will appoint an external legal provider to provide dedicate expert support in respect of this project which will include preparation and negotiation of legal documents.

- 10.4 The Council must conduct the procurement process in accordance with its own Contract Procedure Rules and in accordance with the Public Contract Regulations 2015. The Council must ensure that following procurement the building contract mirrors the obligations it has agreed to deliver to the College.
[SZ/14012022/P]

11.0 Equalities implications

- 11.1 This report principally asks for delegations of authority; for an increase in budget and has other recommendations for noting. The equality implications of these are minimal, Equality Analysis is an ongoing requirement under Section 149 of the Equality Act and future iterations of the analysis will be developed in a timely fashion to support those decisions yet to be made
- 11.2 Moving forward and in terms of the wider equalities implications of the project itself; the Council will ensure that the CLQ programme will comply with the Equality Act 2010, ensuring that the buildings have the appropriate facilities and equipment to enable equality of access and provision of training that addresses the needs of different groups in the local community and enables all to benefit from employment opportunities in key economic growth sectors.

12.0 All Other Implications

- 12.1 The challenge of low skills, achievement, high unemployment, and productivity gap that Wolverhampton faces have been further exacerbated by Covid 19. CLQ will help alleviate these challenges through skills improvement, enhancing people's employment prospects so that they are able to secure high skilled and high paid jobs in Science, Technology, Engineering and Maths (STEM) sectors (where skill deficits are reported by employers) and in the Electronic Vehicle / green technologies growth industries.
- 12.2 Covid 19 implications on the building supplies and labour for the construction element of the project and potential price increases have been considered and reflected in the updated programme and built in project contingencies.
- 12.3 Learners and local employers will have an opportunity to benefit from the Kick Start scheme for young people and Apprenticeship Grant that was announced by Government on 4 October 2021 as part of the ongoing Covid 19 support package to help individuals, including the long-term unemployed and those made redundant after the end of furlough.
- 12.4 There is a risk that Covid-19 / other external factors may change type of courses demanded and as a result pupil enrolment is lower than expected so the College benefits not delivered. However, the College remain in tune with current market requirements, continually reviewing curriculum so are able to adapt to change. The new building design will allow maximum flexibility to deliver various curriculum. The CLQ facilities, with its flexible teaching and learning spaces will allow the College to adapt the new learning and teaching spaces accordingly to deliver both face to face and virtual learning in response

to Government's changing / new Covid guidelines relating to social distancing and workplace practices so that the College's curriculum may be provided in a healthy and safe environment that impacts positively on physical and mental well-being.

- 12.5 A comprehensive risk assessment has been undertaken as part of the preparation of the Business Case submission to the BCLEP / WMCA / LUF / Towns Fund and recorded in a risk register. The detailed risk registers for each CLQ project components will be monitored and updated as the programme progresses.
- 12.6 The most significant risk to the Council is the failure to secure further funding of £20.44 million from Government sources by the target deadline of Summer 2023 to close the gap. If this happens the Council may revisit its funding strategy which may negatively impact project progress and the programme. Uncertainties and delay are likely to escalate the College's financial problems that may result job losses, potential closure which will affect local education provision and compromise business needs.

13.0 Schedule of background papers

- 13.1 Full Council - 20 September 2017 – [City of Wolverhampton City College](#)
- 13.2 Cabinet – 31 July 2019 – [City Learning Quarter](#)
- 13.3 Cabinet (Resources Panel) – 20 October 2021 - [Progressing the City Learning Quarter](#)