

**COLLEGE OF WEST ANGLIA'S ENGINEERING SKILLS CENTRE: ISSUING
GUARANTEE TO FENLAND DISTRICT COUNCIL**

To: Cabinet

Date: 15 November 2011

From: Executive Director: Children and Young People's Services

Electoral division(s): Chatteris, Forty Foot, March East, March North, March West, Roman Bank and Peckover, Waldersley, Whittlesey North, Whittlesey South, Wisbech North, Wisbech South

Forward Plan ref: 2011/064 *Key decision:* Yes

Purpose: To seek Cabinet's approval to proceed with arrangements to secure and protect Fenland District Council's (FDC's) investment in the College of West Anglia's engineering and manufacturing centre to be developed on the College's Isle campus, Wisbech. This would be achieved through the issuing of a legally binding guarantee to FDC and authorisation to conclude related Heads of Terms.

Recommendation: Cabinet is asked to:

- a) Agree to the issuing of a legally binding guarantee to FDC in relation to FDC's investment in the College of West Anglia's engineering and manufacturing centre to be developed on the College's Isle campus, Wisbech
- b) Agree that Legal Services, in consultation with the Cabinet Members for Learning and Resources and Performance, be authorised to conclude the Heads of Terms (Annex B) between the County Council, FDC and the College of West Anglia in order to bring the guarantee into effect; and
- c) Consider the terms of the guarantee (as set out in Annex A) and agree that Legal Services, in consultation with the Cabinet Members for Learning and Resources and Performance, be authorised to conclude the guarantee and any amendments arising from the conclusion of the Heads of Terms.

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1. BACKGROUND

- 1.1 Educational attainment and skills levels in Fenland are relatively low. 14.9% of the Fenland population are qualified to Level 4+ compared to 38.2% for Cambridgeshire as a whole and 29% nationally. 16% of the population are in “elementary” jobs consisting of routine tasks, compared to 10% for Cambridgeshire as a whole. In addition, average earnings for the County are around 30% above earnings in Fenland.
- 1.2 The College of West Anglia (COWA) buildings on the Isle campus are recognised to be in extremely poor condition. It had previously been intended that COWA would relocate the Wisbech campus to a site near March. However, despite the project being well advanced it had to be cancelled as a result of the withdrawal of previously approved capital funding from the Learning and Skills Council. This has left the College with a building stock that is in poor condition and increasingly costly to maintain. This is not sustainable. Without improvement the College would have to consider the rationalisation of its estate. In the current fiscal climate there is little prospect currently of national government, the Skills Funding Agency or the Young People’s Learning Agency providing capital funding for this project in the timeframes required. The issuing of a guarantee (as a mechanism to secure the approved CCC investment and the intended investment of FDC in the engineering block) would provide considerable benefit to the local community, alleviate some of the pressures facing COWA and make a powerful statement as to COWA’s long term investment in Wisbech.
- 1.3 On 14 December 2010 Cabinet restated their commitment to the timetable and resourcing implications, in order to progress the Better Utilisation of Property Assets (BUPA) Fenland Project, including a £5 million Children and Young People’s Services grant contribution to an engineering and manufacturing skills centre at the College of West Anglia’s (COWA), Isle campus in Wisbech.
- 1.4 The investment was seen to make a clear statement of the value of Further Education (FE) and of the importance of securing the long-term future of FE in Wisbech and the associated considerable benefit it brings to the local economy.
- 1.5 The County Council’s (CCC) investment in the engineering and manufacturing skills centre is tied, through Heads of Terms, to a transfer from COWA to the Council of two land parcels located on the Isle Campus. The Council plans to establish a public-facing office building on the site.
- 1.6 The total cost of the engineering and manufacturing skills centre is estimated at £7.2 million, of which the Fenland District Council (FDC) had previously agreed at their Cabinet meeting on 25 November 2010, subject to detailed negotiation, to grant fund £1.5 million towards the development.

2. MAIN ISSUES

- 2.1 The detailed negotiations between COWA and FDC to conclude their funding agreement have proved complex, putting at potential risk the FDC investment and, therefore, the project as a whole. At the heart of FDC concerns, given

the relative scale of their investment, has been the need to secure and protect over the long-term, beneficial outcomes for Fenland from their investment in COWA.

2.2 Failure of the FDC and COWA to find agreement would pose a significant risk to CCC's plans to:

- Support the new engineering skills centre
- Obtain land needed to build the Council public-facing office building and/or to complete its construction on budget – considerable efficiency savings have been made on the construction of the public-facing offices as a result of the single procurement and construction process being applied to the two projects; and
- Secure the vital economic and social outcomes the project is intended to deliver for Fenland.

2.3 Failure to bring much needed capital to the Isle campus, in the continued absence of any other significant new FE capital funding opportunities available for the College, would seriously undermine their ability to maintain provision at current levels. It should be noted that COWA's approved financial plan requires investment of £35 million across its whole estate for the period 2010/11 to 2014/15, of which COWA is contributing £25 million, leaving a £10 million funding gap requiring capital grant support.

2.4 Failure of FDC and COWA to find agreement could also require CCC to consider the need to increase its grant to COWA in order to cover the shortfall (£1.5m) and to secure the two linked projects.

2.5 To mitigate these risks, CCC Members and officers have recently become actively engaged in the negotiation process between COWA and FDC, supporting the two parties reach an in principle agreement based on three key measures:

- COWA would not benefit from interest earned on FDC funding, as such effectively reducing the FDC grant contribution from £1,500,000 to £1,341,000.
- That CCC would provide a guarantee to FDC in the instance that COWA does not meet repayment obligations triggered should a) it become necessary to sell the Isle College campus site in Wisbech and that the resulting sale proceeds generated were not reinvested in alternative provision of educational facilities in Fenland; and in addition b) if the site was no longer used by COWA or a third party to deliver agreed education outcomes.
- That COWA make available two seats on its Board of Governors for one nominee from each of the two Councils (FDC and CCC).

2.6 The Guarantee is attached in Annex A for review and comment.

2.7 CCC will need to become the third party to the Head of Terms proposed

between FDC and COWA. The draft Heads of Terms (Heads of Agreement) are attached in Annex B for review and comment.

3. ALIGNMENT WITH PRIORITIES AND WAYS OF WORKING

3.1 Priorities

The important social and economic benefits of the COWA engineering skills centre and CCC public-facing office building as they pertain to the three priorities were previously set out in the approved Cabinet report (14 December 2010) and remain unchanged. In these include:

3.2 Supporting and protecting vulnerable people when they need it most

3.2.1 The number of young people not in education, employment or training (NEET) in Fenland has risen compared to 2009/10. As at August 2010 there were 199 young people who were NEET compared to 193 this time last year. Fenland is the only Cambridgeshire district to have seen a rise in NEET. Whilst there was a marked increase in the percentage of young people remaining in learning (currently 82% compared to 76% this time last year) this increase has not been enough to compensate for the increase in NEET.

3.2.2 There is not a deterministic relationship between young people being NEET and subsequent life outcomes. However, the Audit Commission identified that being NEET is also associated with later forms of disadvantage and poor welfare outcomes including:

- Regular bouts of unemployment post 18
- Lower job security and pay when in employment
- Teenage pregnancy and earlier parenting
- Persistent youth offending
- Insecure housing and homelessness
- Mental and physical health problems
- Use of illicit drugs
- Earlier death

3.2.3 The circumstances of young people who are NEET can vary significantly which means that attaching a cost to NEET status is difficult. The Audit Commission categorised these costs as public finance costs, comprising the cost of benefits/welfare, tax loss and national insurance; and resource costs, comprising the loss to the economy, welfare loss to the individual and the family and the impact in terms of the resources or opportunity cost to the rest of society. Using its lowest estimate, the Audit Commission calculated the public finance cost of being NEET to be an average of £56,301 per young person and the resource cost to be £104,312. However, the variation can be significant. A persistent offender over their life time can have a public finance cost in the order of £2 million.

3.2.4 A new Engineering Block at the College of West Anglia is clearly not going to address the issue of the level of young people who are NEET in Fenland. However, such an investment will provide new

opportunities and make a key contribution to reducing NEET levels. Even engaging just 10 young people each year, who would otherwise be NEET, will deliver a significant financial benefit to the public based on the Audit Commission figures above.

3.3 Helping people live healthy and independent lives in their communities

3.3.1 See related points in sections 3.1 and 3.2.

3.4 Developing the local economy for the benefit of all

3.4.1 Approximately 18% of the Fenland labour force is employed in the manufacturing sector. The development of an improved and specialist training facility for engineering, manufacturing and product design would create significant advantages for the area, particularly in terms of:

- Providing a training centre for engineering skills
- Promoting and engaging young people in engineering orientated career paths
- Identifying and addressing emerging skills requirements
- Underpinning and sustaining long-term relationships with local employers and schools

3.4.2 Whilst COWA currently offers some general engineering provision in Wisbech, the teaching facilities, plant and equipment available to learners across Fenland is limited and doesn't match the high level skills requirements of employers.

3.4.3 Whilst NEET levels are higher, overall 83% of Fenland people are economically active (against a national average of 79%). The key issue for Fenland is one of skills rather than jobs. The Leitch Review of Skills identified a direct relationship between skills, productivity and employment. It has been estimated that the cost to an employer in training and supporting an apprenticeship in Engineering is 'paid back' through productivity gains in less than 3 years.

3.4.4 The new facility would also improve opportunities for individuals. Research has identified that marginal wage returns for vocational level 3 qualifications are significantly higher than other non-vocational level 3 qualifications (+10% for females, +13% for males) and as high as 16% within the manufacturing and engineering sector.

3.4.5 A new engineering facility would support the development and retention of skills within Fenland. It would support a sector of the economy that is particularly important to Fenland and whilst addressing immediate skills needs it would provide an important platform for identifying and addressing emerging skills needs in the local economy.

3.5 Ways of Working

3.5.1 Approval of the proposed guarantee will make an important contribution to partnership working, securing a long term and valuable

relationship between CCC, FDC, COWA and the employers and learners they serve.

4. SIGNIFICANT IMPLICATIONS

- 4.1 Issuing of a guarantee to FDC will allow for the continuation of the two projects (skills centre and public-facing office) approved by Cabinet on 14 December 2010. As such the significant implications that were previously set out in the approved Cabinet report remain unchanged and are summarised below:

4.1.1 Resources and Performance

- Capital and revenue figures are given in the main body of the report.
- Current quality of accommodation in Wisbech is not suitable for the delivery of, in particular Children's services. The investment will provide good quality accommodation and a strong presence within Wisbech.

4.1.2 Statutory Requirements and Partnership Working

- The Fenland project has taken significant strides to work in partnership with other organisations. Due to the location of the facility, FDC have been involved heavily since the start of the project. As the project has progressed, MAC and CAP have increased the potential of the project and have increased the number of partners providing resource. Some partners are site dependent and will become more involved as these key decisions are made.

4.1.3 Access and Inclusion

- Accessibility to the current facilities from which CCC services are being delivered is far from ideal. The new office facility will be fully DDA compliant. The facility will be kept flexible so that it can deliver a range of services and in order to cope with inevitable service transformation.
- By bringing the services into a single location, which is fully compliant to legislation, members of the community will come into contact with a greater number of services.

- 4.2 The issuing of the guarantee creates an additional *significant resource implication*. In the instance that the guarantee was to be called on it would create a significant capital commitment for CCC, a commitment that lasts for 25 years albeit at a reducing level. However the risk of the guarantee being called on appears limited particularly given historical precedents of Government intervention to support acquisitions and merger rather than to let General Further Education Colleges fail. Risk has been further mitigated by:

- Incrementally reducing the financial obligation under the guarantee over a 25-year period at which point it ceases;
- Reducing the value of the originally intended FDC capital grant (£1,500,000) by the value of interest it would have accrued

- (£159,000) to an amount of £1.341,000; and
- Requiring FDC to take reasonable steps to enforce its rights before seeking remedy through the guarantee.

Source Documents	Location
Investment on the College of West Anglia (COWA), Isle campus, Wisbech report to Cabinet report (14 December 2010)	<p>Adrian Loades, Executive Director: Children and Young People's Services</p> <p>Cambridgeshire County Council B Wing, Ground Floor Castle Court CB3 0AP Cambridge</p> <p>http://www.cambridgeshire.gov.uk/CMSWebsite/Apps/Committees/Committee.aspx?committeeID=11</p>