

**INVESTMENT ON THE COLLEGE OF WEST ANGLIA (COWA), ISLE CAMPUS,
WISBECH**

To: **Cabinet**

Date: 14th December 2010

From: Local Government Shared Services (LGSS) Director of Finance
Executive Director: Children and Young People's Services (CYPS)

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

Forward Plan ref: 2010/045 *Key decision:* Yes

Purpose: To update Cabinet on the progress of the Better Utilisation of Property Assets (BUPA) Fenland Project and to seek continued commitment to the timetable, resourcing and funding implications, in order to progress the Fenland Project in conjunction with the Council's interdependent investment projects and with partners.

Recommendation: Members are asked to:

- a) Restate their commitment to the timetable and resourcing implications, in order to progress the Fenland Project in conjunction with the £5M CYPS grant for an engineering block at the COWA site, in the current Integrated Plan.
- b) Delegate the decision making duty to determine which sub-option is progressed (for the Wisbech office facility), to the following:
 - The portfolio holder for Resources and Performance
 - The LGSS Director of Finance
- c) Delegate the agreement of the site acquisition terms (for the Wisbech office facility) to the LGSS Director of Finance.
- d) Acknowledge and support the collaborative opportunities internally (this Council's £5M grant contribution for funding an engineering block on the COWA site) and externally, by engaging in partnership work with the Department for Communities and Local Government (CLG) and other key partners in order to lead as a pilot project under the Governments Capital and Assets Pathfinder (CAP) Project.
- e) To agree to transfer £2m capital set aside for economic regeneration to this project, reducing the additional capital required from £5m to £3m.

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1. BACKGROUND

- 1.1 Cabinet approved the BUPA phase 1 projects Business Cases in the autumn/winter of 2009. Specifically, this included the Fenland Project Business Case and £6.5M capital was authorised in principle to provide the new facility in Wisbech, the area with the greatest need.
- 1.2 The top 5 most deprived Super Output Areas of Cambridgeshire are all in or around Wisbech, whilst the unemployment rates for Fenland and Wisbech remain substantially higher than the Cambridgeshire average. The unemployment rate in Fenland was 4.4% (January 2010) as compared to 2.6% for the County. Three areas in Wisbech are among 10.4% of the most deprived areas nationally. Areas of high deprivation, as those in Wisbech, experience health inequalities. Health inequalities are indicated by lower life expectancy, higher mortality and a higher proportion of low birth weight babies in comparison with Cambridgeshire results.
- 1.3 In summary, the vision is to provide a new public facing office in Wisbech to serve the Fenland community. It is for a modern facility, designed and built to a high standard able to accommodate a range of services. The building is to comprise of office space, sufficient meeting room space to match service delivery and any specialist requirements scoped in as part of the implementation. This will be designed to provide County Council services and complimentary services provided by partner organisations. These will be both public-facing and back-office functions. Services delivered from this facility will be vital in addressing the deprivation.
- 1.4 The building will be constructed with flexibility of use as a key feature so that change in service provision of different types of service will be possible from this location to future-proof its ongoing value to the community. The project aims to deliver against a number of BUPA programme objectives including anything from sustainability to environmental performance. Adaptability to climate change will also be adhered to as far as possible and included within the constraints of funding, planning permission and other factors.
- 1.5 The College of West Anglia is the main 16-19 education provider for an area that includes Fenland, King's Lynn and West Norfolk and Breckland. The College brings approximately £30m of central government funding into the region for training annually. Ofsted judge the College to be "Outstanding" and overall FE and Train to Gain success rates are in excess of 80% and over 70% for apprenticeships. An economic impact study carried out in 2008 identified that the College contributes £228m to the regional economy.
- 1.6 In addition to the £6.5M investment from Cambridgeshire County Council (CCC) to develop an office facility within Wisbech, a £5M grant from CCC (taken to SMT/Cabinet on the 12th October 2010) to COWA is proposed as a contribution to the construction of an engineering block on the Wisbech site, replacing the existing block (block H), that fronts Ramnoth Road. This is being combined with £1.5M investment from Fenland District Council (FDC) Cabinet (approved at full FDC Cabinet in November 2010) and additional funding from COWA.

- 1.7 The 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. The proposed investment 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.

2.0 SUPPORTING INFORMATION

- 2.1 Subsequent to Cabinet approval to the Fenland Project Business Case (autumn/winter 2009), the Fenland Project Board identified the following potential locations for the new office facility:
- Option 1 – The College of West Anglia (COWA)
 - Option 2 – Nene Parade (FDC)
 - Option 3 – The North Cambs Hospital (Primary Care Trust)
 - Option 4 – Wisbech Town Centre (Private)
 - Option 5 – Queen Mary Centre (CCC)
 - Option 6 – Roddens land on Churchill Road (Housing Association)
 - Option 7 – Land at Somers Road (CCC)
 - Option 8 – Land at Junction between A47 and Cromwell Road (Private)
 - Option 9 – Corn Exchange (Private)
 - Option 10 – Phoenix Hotel Site (Private)
- 2.2 During this first, high-level stage assessment, the Fenland Project Board ruled out options 5-10 and following this, further, more detailed feasibility studies were conducted for options 1-4. This included a financial and non-financial appraisal.
- 2.3 A non-financial appraisal was undertaken to score each of the prospective sites against 8 categories, which are linked to CCC's corporate objectives. The categories were first scored using the insight of specialist's (Environment Services, Economic Development, Communications as well as local partners knowledge), before the scoring exercise was completed by officers from CCC and FDC.
- 2.4 An independent analysis into each of the sites was conducted. This research provided information on construction costs, completion dates, planning position, parking policy, architectural status, ground water vulnerability tests, British geological survey information, flood risk, archaeological risk and site constraints.
- 2.5 CCC and FDC have also conducted separate research as part of the site appraisal. This contains information on indicative land values, vendor's asking price, site envelopes, IT capital costs, asbestos conditions, partner prospects and partner aspirations.

2.6 The top level information generated from the more detailed non-financial and financial appraisals is summarised in the following table:

Option	Site	Indicative residential land value (CCC estimates)	Vendors asking price	Non financial scores
Option 1	Site 1: The College of West Anglia (COWA)	£0 - £200,000	Unknown at present	267
Option 2	Site 2: Land adjacent to Boathouse Business Centre	£400,000+	Significantly greater than the indicative residential land value (left)	310
	Site 3: The Magistrates Court/Police Station	£201,000 - £400,000	Unknown at present	287
Option 3	Site 4: North Cambridgeshire Hospital	£0 - £200,000	Unknown at present	266
Option 4	Site 5: Belfast	£0 - £200,000	Significantly greater than the indicative residential land value (left) (including 13 interests)	334
	Site 6: High Street	£0 - £200,000	Unknown at present (3+ interests)	334

2.7 A review of the information from the financial and non-financial appraisals was held between the leaders of CCC and FDC on the 13th October 2010. Subsequently, the COWA site emerged as the favoured site for accommodating the new office facility. Combined with this, it was proposed that a Tax Increment Financing (TIF) rejuvenation project for the town centre be explored, which would include a public access shop front. CCC will be the lead for delivery of the office facility on the COWA site (through the BUPA Fenland Project) and alongside other investment projects at the college, whilst FDC will lead on the town centre proposal.

2.8 Each of the 4 proposed options had considerable non-financial benefits associated. In summary, the COWA site emerged as the favoured option due to a number of factors including the opportunity to join up with another large build project and make substantial cost savings, through the synergies from the education agenda of the college and through the advantage to customers demanding CYPS services, as these will be located closely to their target audience (Thomas Clarkson Community College and COWA students will be within very close proximity).

- 2.9 On the 23rd November 2010 the Cabinet Member sub-group convened at the COWA site to discuss the issues.
- 2.10 On the basis that the COWA site is taken forward, the LGSS Director of Finance will need to agree site acquisition terms (for the office facility) with COWA.
- 2.11 Since the COWA location was identified as the favoured option, 2 sub-options have emerged. This section will compare the baseline with sub-option 1a and sub-option 1b.
- Baseline: £6.5M to be invested within Wisbech to provide the new facility (previously known as option 1 and as approved by Cabinet on the 24th November 2009).
 - Option 1a: Separate locations within the site – Construction of the office facility and engineering blocks as separate projects. Both to be based on the COWA site.
 - Option 1b: Integrated scheme – Construction of the office facility and engineering block as a fully integrated scheme (e.g. joint procurement) with shared facilities (e.g. reception area). To be based on the COWA site. Either CCC or COWA could lead on the construction of the integrated scheme. (Further works will be carried out to determine the extension of integration as some separation may be necessary).
- 2.12 Subject to the agreement of funding support from the County Council and Fenland District Council, the College is proposing to demolish the current H block adjacent to the car park on the Wisbech site. This block forms the main street frontage for the campus. The building is a former residential block used for teaching purposes and is essentially obsolete and unsuited for modern teaching and learning.
- 2.13 It is proposed to replace the H block with a new engineering building of 2700m². The building will accommodate the following training facilities:
- Engineering
 - Motor vehicle
 - Motor Sport
 - Computer Numerical Control
 - Computer Aided Design
 - ICT provision
 - General purpose classrooms
- 2.14 The County Council has no statutory obligation to invest in the capital condition of COWA. This responsibility sits with the College itself, the Skills Funding Agency, the Department for Education and the Department for Business, Innovation and Skills. However, there is no prospect of any significant level of capital funding being available from these agencies. The College is already investing in the two campuses to address urgent backlog maintenance needs and is close to its borrowing limit. There is no indication of any capital being made available from Central Government and the demise of the East of England Development Agency (EEDA) reduces the possibility of regional funding.

3.0 COST ANALYSIS

- 3.1 The table below displays indicative costs for each of the three options under consideration (including the office facility and CCC's contribution to the engineering block):

	Baseline - Based on Outline Business Case Option 1	Option 1a - Separate Schemes	Option 1b - Integrated scheme
Capital Setup Cost	£11,490,862	£10,977,475	£10,285,578
Capital Cost (Excl. Res Value)	£13,352,102	£11,707,475	£12,147,077
Revenue Cost (40 Years)	£38,443,798	£39,567,445	£37,146,019
Net Present Cost	£26,180,798	£27,432,807	£26,021,389
Operating Expenditure (Year 10)	£473,786	£473,786	£429,342

NB – Operating expenditure is reduced by 10% under option 1b to reflect sharing of activity e.g. reception, cleaning, security and a reduction in energy use.

- 3.2 The table above shows that the County Council's £6.5M office facility can be delivered on the COWA site within budget, either as part of having separate locations within the site or as part of an integrated scheme (including the part CCC funded engineering block). However, under option 1a costs are reduced to less than £11M. Furthermore, savings can be made by integrating the two schemes into a single building as costs are reduced to £10.3M (option 1b).
- 3.3 In addition it is expected that revenue savings will be made through the integrated scheme and the integrated scheme is estimated to save £1.4M on the Net Present Cost (NPC) as compared to the separate schemes.
- 3.4 A comparison of costs depending on the organisation procuring (COWA or CCC) will be conducted to ensure that overall costs are minimised. This will include an assessment on the impact of VAT. The figures include VAT costs for the engineering block but not for the office facility.
- 3.5 The rise in the NPC and revenue costs over (40 years) from the baseline to option 1a is as a result of bringing forward the scheme and therefore the borrowing requirement by a year.

4.0 BENEFITS

4.1 Benefits of the £5M engineering block

- 4.1.1 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

- 4.1.2 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.
- 4.1.3 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.
- 4.1.4 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
- 4.1.5 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 £2m.
- 4.1.6 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.
- 4.1.7 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.

- 4.1.8 The new facility would also improve opportunities for individuals. Research has identified that Marginal wage returns for vocational level 3 qualification 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.
- 4.1.9 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.

4.2 Benefits of the £6.5M office facility

- Facilitating the delivery of services to where they are most needed – It is of paramount importance that the facility is located within the community, with good accessibility to customers. Customers in this case will primarily be younger persons.
- The facility is to be flexible so it can accommodate service modernisation and transformation – inevitably services will change and evolve over time to meet the future service and access needs of clients, customers and the general public. However, this facility will cope with changes by creating an adaptable building.
- It will contribute to the regeneration of Wisbech and the surrounding area by providing job opportunities within the local community – The new facility will provide construction jobs in the short to medium term. In addition, there will be opportunities for COWA students on construction related courses to gain on the job experience.
- Work with partners to achieve the best outcomes for Fenland – Promote the benefits of partnership working through sharing facilities (where feasible) with partners from the public, private and voluntary sectors.
- Promoting a sense of community and place through location, design and community engagement.
- Promoting sustainability in terms of the design construction and operation to provide a low-carbon solution (carbon tax reduction).
- Releasing the value locked up in land and buildings to be reinvested elsewhere.

4.3 Additional benefits of a fully integrated approach

- Cost savings – The integrated site represents best value for money. Acquisition costs are expected to be significantly less with a fully integrated scheme. In addition, there are expected to be significant gains arising from savings on the preliminary build costs.
- Time/Resource – A single procurement approach will save time and fees compared to two separate procurements.
- Single education campus – There are clear links between CYPs, COWA and Thomas Clarkson Community College, all of whom will be delivering services to a similar client base. Furthermore, there would be a clear attraction to add

partners on the site e.g. Job Centre Plus, to link education to job opportunities and employment.

- The integrated approach would allow the different partners to share resources on the campus. For example, a shared reception would reduce build costs as a smaller footprint would be needed and operating costs would be reduced.
- This approach (as opposed to a separate location for the office facility under option 1a) would be a more practical way to use the land, as it minimises the footprint needed (through shared facilities) whilst other parts of the campus would be freed up to use in more effective ways. The college would have the opportunity to release land for redevelopment (that otherwise might have been built on under option 1a).

5.0 FURTHER CONSIDERATIONS

5.1 Making Assets Count (MAC) and Capital and Assets Pathfinder (CAP) Group

- 5.1.1 This project is being considered under the MAC banner and includes partner discussions about improving service through co-location.
- 5.1.2 The county council has the role of a CAP, working with CLG. As part of this work, the Fenland Project has received support to develop the broader Business Case in conjunction with local and national service providers, CLG, HCA and GoEast. This has provided the opportunity to consider the provision of a town centre development scheme including the public sector presence. While CCC does not have a particular requirement for a town centre presence, FDC and other partners would benefit from a new joint central location and FDC have an opportunity to pursue this.

5.2 Other Investment Opportunities

- 5.2.1 CCC to consider further development opportunities on the COWA site, if they are mutually advantageous.

6.0 IMPLICATIONS

6.1 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.

6.2 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.

6.3 Climate Change

- The new facility within Wisbech will replace old, inefficient buildings. The new facility will meet or exceed the Authority's policy of BREEAM 'Very Good' status. It will deliver significant carbon reduction savings through higher standards of energy efficiency and greater use of renewable energy systems.

6.4 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.

Source Documents	Location
BUPA Shire Hall Campus Project Business Case. BUPA Fenland Project Business Case. BUPA Fenland Project Brief BUPA Technical Brief. The Property Acquisition Strategy. BUPA Fenland Project Technical Brief Making Assets Count Project Initiation Document	Room 300, Shire Hall, Cambridge