

REPORT OF THE CITY DEAL AND GROWTH DEAL ADVISORY BOARD

TO

BLACK COUNTRY EXECUTIVE JOINT COMMITTEE - 3 December 2014

BC LOCAL GROWTH DEAL - PROJECT APPROVAL RECOMMENDATION - CABTech CENTRE FOR ADVANCED BUILDING TECHNOLOGIES AND CONSTRUCTION SKILLS

Key Decision: Yes Forward Plan: Yes

1. PURPOSE OF REPORT

1.1 To present the recommendations of the Advisory Board in relation to the CABTech Centre for Advanced Building Technologies & Construction Skills by Dudley College, seeking permission to proceed to grant agreement by the Accountable Body (Walsall Council) as set out below in section 2.

2. **RECOMMENDATIONS**

2.1 That the Joint Committee grants approval for the Accountable Body for the Growth Deal (Walsall Council) to proceed to a Grant Agreement with Dudley College to deliver the Local Growth Fund (LGF) funded elements of the CABTech Centre for Advanced Building Technologies & Construction Skills project – with delivery to commence in the 2015/16 financial year.

3. REPORT DETAIL

- 3.1 The Joint Committee received a report on the 17th September setting out the background and work so far in the development of the Black Country Growth Deal Round 1, approving a way forward for the 15 projects involved, which will utilise the individual Red Amber Green (RAG) ratings for each project proposal.
- 3.2 To ensure that these RAG ratings are as accurate as possible, each projects business case has been further scrutinised by specialists and officers (October 2014), culminating at the Advisory Board Star Chamber on the 10th November 2014, where representatives from 13 of the 15 projects were further questioned by members of the Advisory Board and the Working Group of the Joint Committee. The remaining two projects were scrutinised at the Advisory Board on 19th November.
- 3.3 The recommendation of the Advisory Board is based on the RAG ratings agreed through this process, attached as Appendix 1, together with subsequent information received, which for this project is Green and the process presented to the Joint Committee on the 17th September in section 3.6.





4. FINANCIAL IMPLICATIONS

4.1 The costs associated with this development work and the delivery of projects that form part of the LGF round 1 will be covered by allocations from government associated with this programme. This includes the use of any interest accrued by the Accountable Body to cover costs associated with the delivery of Accountable Body functions, as approved by its (Walsall Council) Cabinet on the 29th October 2014.

5. LEGAL IMPLICATIONS

5.1 The appropriate Grant Agreements are being prepared by the Accountable Body (Walsall Council) and will include all conditions passed onto the LEP by Government, together will all terms, conditions, performance measures and sanctions as required by the approvals/conditions received from Government or approved by the LEP board or the Joint Committee.

6. RISK MANAGEMENT

6.1 Risk is being managed through the on-going assessment of individual projects and their ability to deliver the required spending profiles and outcomes for the programme as required or agreed with Government and set into place by the LEP board or the Joint Committee.

7. EQUALITY IMPLICATIONS

7.1 None at the time of drafting

Back Ground papers

The Black Country Strategic Economic Plan (SEP)

Business Cases for each Individual Project

Attachments

Appendix 1 – CABTech Centre for Advanced Building Technologies & Construction Skills Project Headlines and Outline Business Case RAG Rating

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Appendix 1 – CABTech Centre for Advanced Building Technologies & Construction Skills Project Headlines and Outline Business Case RAG Rating

Project Description

- Construction of a new centre comprising 4,427m2, leading in Building Information Modelling. The centre will up skill over 3,250 people in the first 5 years.
- Creates additional capacity to meet skills needs identified by businesses and enables the construction sector to benefit from opportunities presented, including HS2.
- Strong business backing including companies such as Carillion, Stepnell, Skanska & Interserve

Start date: August 2015. Practical completion, including fit-out, is programmed for January 2017

Headline Outputs Include: 390 Jobs Created, 765 Safeguarded, 3250 Learners Assisted and 25 **Businesses Created**

Funding Profile: Total capital Project cost £49.77m, LGF requested of £7.88m of which £4.24m in 15/16 and the balance of £3,64m during 2016/17, an intervention rate of 16%.

There is the potential to bring forward spend, with a revised profile of £6,585,000 in 2015/16 and £1,300,000 in 2016/17.

October 2014 Update and Revised RAG Rating

PROJECT MANAGEMENT



Project has now moved to green, with the contract now out to tender and the college confiident that any land ownership issues will not hinder the timeframes proposed for the project.

ECONOMIC OUTPUTS



The project remains as Amber, with the college reviewing its systems for recording outputs in terms of jobs, business assists and learner outcomes - business assist and learner projections appear achievable.

The basis for the job outputs claimed from the project requires further definition given the scale proposed.

FUNDING



Remained at green throughout the process, with the College indicating that it is in good financial health (this will be reviewed as part of due diligence) and has confirmed match funding.

The intervention rate for Cabtech itself is comparatively high (60%) but forms part of the larger Dudley Campus investment, so overall is much lower if all is taken into account.

OVERALL RATING PROPOSED





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Recommendation - Proceed to Grant Agreement

OUTLINE BUSINESS CASE (Including October Revisions)

PROJECT TITLE: CABTech (Centre for Advanced Building Technologies & Construction Skills)

PROJECT SPONSOR: Dudley College

October 2014 Re-Assessment Update and Outstanding Scrutiny Issues

PROJECT MANAGEMENT



- Project is now out to tender. An innovative procurement process is being utilised Integrated Project Insurance (IPI) – a collaborative method initiated as a trial approach by the Government – this is the first project nationally to be procured using IPI.
- The delivery programme for the project remains fully on track. Dudley Advance opening in 2-3 weeks as part of the Learning Campus.

ECONOMIC OUTPUTS



- The target market of the project is clear in terms of BIM skills for technicians, supporting construction sector supply chain companies to grow in the Black Country. This is a major market opportunity to address a recognised market gap.
- The College is reviewing its systems for recording outputs in terms of jobs, business assists and learner outcomes business assist and learner projections appear achievable.
- The basis for the job outputs claimed from the project requires further definition given the scale proposed.

FUNDING



- The College is funding the project procurement process at risk, demonstrating delivery commitment.
- The College has indicated that it is in good financial health (this will be reviewed as part of due diligence) and has confirmed match funding.
- The intervention rate for Cabtech itself is comparatively high (60%) but forms part of the larger Dudley Campus investment.

What reassurance can be given regarding the delivery of projected job outputs and how will these be measured and monitored?

July 2014 Assessment

PROJECT MANAGEMENT



Senior Responsible Officer (SRO): Steve Johnson, Executive Director of Estates & Capital Projects

The SRO has managed 4 similar development projects at the College over the previous 3-years as part of the Dudley Learning Quarter and therefore effective project management systems are in place. A professional team will be commissioned to support the SRO to specify the scheme for tendering purposes and oversee delivery. The intention is to let a traditional form of contract enabling the College to retain control over the development process

A full development programme has been provided. Detailed design work for main contractor procurement and the preparation of the planning application will take place between September 2014 and May 2015. Full planning approval is programmed for July 2015 with the main construction contract let in August 2015. Practical completion, including fit-out, is programmed to January 2017.

The College has consulted with the Local Planning Authority during the feasibility stage in order to



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agree general compliance with the Local Plan and a letter of opinion to this effect has been provided from a planning consultant. The College has an option agreement with Dudley MBC on land in Council ownership that is required to complete the development.

A risk register has been provided for the development of the new Centre. Site acquisition is identified as a high risk but is mitigated by existing agreements being in place with the Council as landowner. A copy of the option agreement has been provided. The College has further indicated that site investigations have already been undertaken.

ECONOMIC OUTPUTS



The delivery of key economic outputs (profiled below) is dependent on learner and employer demand and the ability of the College to capture the data needed to evidence these outputs.

There remains a discrepancy in the calculation of outputs in relation to the delivery of apprenticeships. The LEP submission for the Growth Deal identifies 6,160 apprenticeships delivered over the period to 2020/21 whereas the college has estimated this number to be achieved "over the lifetime of the building." The College has agreed to provide further clarification in this respect.

Headline outputs	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Jobs created	0	90	75	75	75	75	390
Jobs safeguarded	0	165	150	150	150	150	765
Business assists	0	305	275	275	275	275	1405
Learner assists	0	650	650	650	650	650	3250
Business creation	0	5	5	5	5	5	25
Apprenticeships	0	tbc	tbc	tbc	tbc	tbc	tbc

The College has engaged with employers in the area to gauge demand for skills in Building Information Modelling (BIM) in the construction sector and has supplied a number of letters of support from several employers operating in the sector (Carillion, Wilmot Dixon, Thomas Vale Group etc.) as evidence of this demand. It has also referred to research by the CITB and the Construction Skills Network (CSN) that demonstrate that skills gaps in relation to BIM have hampered business growth in the construction sector and that the lack of suitable skills is putting businesses at risk.

The College has committed to working with a business steering group drawn from the West Midlands Construction Hub to ensure its offer is linked directly to employer need and demand and to directly employ a Business Development Officer to work with businesses to strengthen its service offer for employers and market the new facility. The College has also provided an extract of its marketing materials for the BIM BTEC Level 3 Extended Diploma.

The College recognises the challenge of collecting data to evidence the range of forecast outputs, particularly in relation to the job creation/safeguarding and business creation outputs, which are not directly related to its day-to-day activities of training and business support.

This project is forecast to deliver over 40% of business assists and over 50% of jobs safeguarded across the entire Growth Deal programme and therefore not achieving these outputs will have a potentially significant impact on performance of the programme as a whole.

The College has committed to further developing and strengthening its system and processes for ongoing data collection to measure and monitor these outputs for LGF purposes, based on maintaining long-term relationships with employers and the tracking of individual learners over time.

FUNDING



The total LGF funding (profiled below) is as originally requested by the College however the profile of LGF funding has now changed, with less funding in 2015/16 and more in 2016/17. A revised expenditure profile and a profile of monthly spend information for 2015/16 to account for this change has been requested from the College.

LGF	2015/16				All	Future	İ	
spend	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	2015/16	years	Total	LGF



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profile	tbc	tbc	tbc	tbc	£4,240,000	£3,640,000	£7,880,000
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The College has indicated that match funding for capital expenditure will come from its own resources (reserves, commercial borrowing etc.) and that the level of its own investment is based on projections of operational turnover and in accordance with Skills Funding Agency (SFA) guidelines. The College has applied this approach to the funding of the wider Dudley Learning Quarter development.

A small private sector contribution (£100,000) is expected to come in the form of a contribution of capital equipment to the fit-out. The College has indicated it is in discussions with a number of businesses in the construction industry to secure this investment.

A budget construction cost estimate has been provided from an external consultant based on assumed prices in the first quarter of 2015. A contingency/design reserve of 3% is included which is in accordance with SFA guidance for new build and refurbishment projects. The College has indicated that previous development projects of the type proposed here have been delivered within budget.

KEY ISSUES & RISKS

Overall risk rating:



This is the fifth building that the Dudley College team has procured in the last 3 years so project management expertise is in place. The College has a clear understanding of the market place for the new facility and they have demonstrated that demand evidence from students is reasonably robust.

The key risk area remains the delivery of the job impacts claimed by the project through its role in supporting employers through access to specialist facilities and project consultation services via CABTech. The College has provided some reassurance on job output projections, including appointment of a Business Development Officer to strengthen employer services, and appear to have evidence that the BIM skills to be delivered through CABTech will safeguard construction businesses in the Black Country. Nevertheless, there remains a challenge to the College to demonstrate how job impacts are being delivered and to provide reliable measurement and reporting of outputs for the LEP.

The LGF funding agreement should place specific obligations on the College to monitor and report on projected business assists and job outputs.