

## County Council

19 May 2015

### Nuneaton Opportunities Centre – Business Case Review

#### Recommendation

That Council notes the outcome of the review of the business case for closure of the Nuneaton Opportunities Centre, undertaken by the Strategic Director of Communities.

#### 1.0 Introduction

- 1.1. Following a proposal to decommission the service provided at the Nuneaton Opportunities Centre (the Centre), a motion was moved at full Council on 25<sup>th</sup> September 2014 and Council resolved the following:

*'That Warwickshire County Council recognises the value and impact that the Opportunities Centre based in Nuneaton has had on preparing vulnerable young adults for the world of work and the valuable service it has provided to the communities of Nuneaton and Bedworth and the wider area. In view of this the Council asks the Strategic Director for Communities to keep the Centre open and carry out a review of the business case for closure of the Centre and report back on this by the end of the financial year.'*

- 1.2. The original business case made the recommendation for closure based on evidence that the original need for skills training linked to the physical regeneration programme in Camp Hill no longer existed given the development of the skills delivery market. Furthermore the business case concluded that it was not the best use of WCC revenue funding, spending significant resource on the delivery of training that was readily available elsewhere particularly as the costs to WCC would be rising significantly after 2014/15 due to a reduction in income from a major funder.

#### 2.0 Background

- 2.1 The Centre was opened in 2003 by Warwickshire County Council working in partnership with North Warwickshire and Hinckley College. At that time, a major Advantage West Midlands (AWM) programme was underway to promote economic development, the Coventry and Nuneaton Regeneration Zone being one of six Zones in the West Midlands region. The Regeneration Programme was framed primarily to connect need with opportunity. There was considerable deprivation across the Zones and a persistent gap between them and the rest of the West Midlands in terms of economic and social wellbeing. The Zones provided leadership, influence and coordination, allowing a number

of small and manageable priority projects, like the Opportunities Centre, to thrive.

- 2.2 The Camp Hill area originally housed miners working in local pits but had become one of the most deprived areas in the Country following the 1984 Miner's Strike and subsequent pit closures. A plan was developed in 1998 to address the physical decline and social and economic problems. This in turn saw Pride in Camp Hill (PinCH) Ltd being established in 2001 and the company began to deliver a programme of house building and community based projects in support of social and economic regeneration.
- 2.3 The Centre was set up as a local community based training facility providing entry level vocational learning and training opportunities in construction and ICT for residents in the Coventry and Nuneaton Regeneration Zone and coalfields.
- 2.4 The Nuneaton Opportunities Centre has fulfilled its original purpose as a provider of basic, entry-level vocational skills and training opportunities to local young people, supporting the economic and social regeneration of Camp Hill in Nuneaton and the surrounding area. The Centre has been a provider of skills as opposed to an educational service.

### **3.0 The Case for Closure**

- 3.1 The Centre was identified in the 2014-18, WCC One Organisational Plan (OOP) to deliver savings. Management considered the ongoing viability of the Centre and reached the conclusion that the Centre should be recommended for closure based upon the following:
  - a) The total financial burden of the Centre upon WCC is forecast to be approximately £218,000p.a by 2017/18.
  - b) Analysis of the market place indicates that there is alternative provision available for skills and vocational training, from other providers, and that there is sufficient market capacity to absorb the places provided by the Centre.
  - c) The client base for the Centre is now drawn from a much wider catchment area than originally, reflecting the reduced local demand.
  - d) A further funding gap has emerged with the withdrawal of funding by the Barratt Mercia Housing Co. of their apprenticeship programme.
- 3.2 Consequently within the process for closure WCC would:
  - (a) withdraw provision from the Nuneaton Opportunities Centre and exit the lease by negotiating a settlement with the landlord, on terms agreeable to the Strategic Director of Resources
  - (b) commit to working to secure alternative positive destinations for Warwickshire Opportunities Centre students on the roll.

(c) under the “Skills for Employment Programme,” undertake additional and specific work with local schools and businesses (including within Camp Hill and the wider Nuneaton area) to raise aspirations and develop pathways to sustainable employment for young people

- 3.3 It is also proposed that the Communities Overview and Scrutiny Committee be asked to include within the scope of their task and finish group on ‘Pride in Camp Hill’, positive destinations for young people and make specific recommendations on this.

## 4 Financial Analysis

- 4.1 The financial performance of the Centre for the years 2011-2014 is given in **Appendix A**.
- 4.2 Taking 2013/14 as an example, the Centre cost £241,000 to operate and achieved an income of £122,000. The Centre operates with a net revenue budget (WCC contribution) of £100,000 meaning that in 2013/14 the centre over spent by £19,000 and at a total cost to WCC of £119,000.
- 4.3 **Appendix A** shows projected budget variances for the coming years. Inflation is factored in as well as the income reduction from loss of the Barratt Mercia contract. The projected overspend for 2017-18 is £110,000, meaning a total cost to WCC of c. £218,000 pa.
- 4.4 Withdrawal from the Centre would deliver a long term net revenue saving of £218,000 pa from 2017-18. This would comprise removal of the allocated net revenue budget and the avoidance of future projected overspends.
- 4.5 Please note that the costs quoted above are direct costs only and do not include overhead charges for support services. Inclusion of these overhead charges would increase further the deficit of the Centre.

## 5 Alternative Options to Closure

- 5.1 In discussions regarding the future of the Centre (including during consultation with staff) a number of proposals were suggested to reduce costs and improve the financial viability of the Centre. These are summarised below, each of these has been considered and evaluated as part of the review.

### Two Wheels Programme (£26,000)

The income stream from the Two Wheels programme for 2012/13 was £2,500. A significant expansion programme would be required to achieve £26,000 income. Even if the programme can be extended, the main client for this has been Warwickshire Youth Justice Service and they have now established their motorcycling training at Nuneaton Fire Station which offered improved facilities to meet their needs. **Therefore it is concluded this is unlikely to be successful.**

## 5.2 Talent Match (£36,000)

Talent Match funding was available from the Big Lottery Fund administered by CWSP back in 2013 when this was first suggested. The proposal was to provide Construction and Multi-Skills and Motorcycling courses for 16+ year olds who were not in education or employment. **This funding is not now available.** Also, it would not have provided a sustainable solution as the funding is likely to have been one off funding.

## 5.3 Job Centre Plus (£50,000)

Job Centre Plus funding may still be available. The maximum grant available is £50,000. An application would be required to Job Centre Plus for funding to provide training for 16+ year olds linked to a tangible outcome i.e. qualifications and a job. **However this is one off funding only and does not support long term viability.**

## 5.4 Property Maintenance

A proposal to take the property maintenance work “in house” with Centre staff carrying out all the repairs. Whether the Centre staff have the knowledge and skills required would need to be confirmed and further, WCC Physical Assets maintain all WCC property; a change in policy on this is unlikely. **This is not considered feasible.**

## 5.5 Site Downsizing

A proposal was made to terminate the Lease on workshop number two, resulting in a 43% reduction in rent. Following evaluation, the level of rent reduction will not be proportionate to the space given up e.g. giving up 1 of 3 buildings will not result in a 33% reduction in rent. The proposal estimates an approximate 43% rent reduction which looks to be an overestimate, although exact savings will ultimately come down to a negotiation with the landlord. Further, the reduction in workshop space will impact on the number of courses or places the Centre is able to offer and this would result in reduced income from course fees. **This is not considered feasible.**

## 5.6 Price Increases

This review recognises that there is a current and ongoing demand for the services offered at the Centre and that the provision is well regarded by customers. However, it is also apparent that current pricing of courses is significantly lower than those charged by alternative providers.

As part of this review, two alternative pricing models were considered and evaluated. Firstly, increasing Centre prices by 100%, bringing prices in line with other equivalent provision in the market place and secondly, price rises of 50%. For ease of comparison an assumption has been made that at both levels of price rise, demand would not be altered by the changes.

Financial analysis is presented in **Appendix A**, including the two price rise models. In summary and based on existing income levels, but adjusted for the loss of the Mercia Barratt contract, the centre would run at a £60,700 overspend against budget by 2017-18 if prices were doubled and at an

£85,100 overspend if prices were increased by 50%. These figures do not factor in the OOP requirement to make £100,000 savings.

## **6 Alternative Provision of Skills and Vocational Training**

- 6.1 At the inception of the Centre there was no locally available provision of skills and vocational training. However, market conditions have significantly altered. For example, of the twenty three Alternative Education Providers currently on the Area Behaviour Partnership Framework, six offer courses similar to those offered by the Opportunities Centre offers. See **Appendix B**.
- 6.2 There are two other providers offering multi skills within the Nuneaton and wider area, one provider offering Landscaping and Gardening courses and two providers offering Motorcycle training.
- 6.3 The market information currently available suggests that there is sufficient capacity within the market place to offer equivalent training should the decision to close the centre go ahead.

## **7 Alternative Education Provision**

- 7.1 Over a period of time the Centre has shifted to becoming a partial provider of Alternative Education Provision. This provision has been organic and was not part of the founding purpose of the Centre.
- 7.2 The Alternative Education Provision discussed here has a distinct education focus, linked to the wider school curriculum and connected to the educational offer to young people who do not do well in mainstream education, have been, or are at risk of exclusion from school. It is important to recognise that the Opportunities Centre is not a recognised provider of Alternative Education Needs. It is not qualified or equipped to offer such provision either physically or professionally. And, whilst the Opportunities Centre has been used by a number of schools to provide some degree of Alternative Education it is not able to offer the required curriculum to fully meet these young people's needs, for example the wider curriculum requirements of English and Maths.
- 7.3 Discussions have been held with schools and other learning providers as well as with WCC Education and Learning colleagues. As a result it is acknowledged that the Centre does have the potential to meet partially some of the educational needs of a discrete set of young people such as those who do not thrive in mainstream education.
- 7.4 WCC Education and Learning consider that the option of the Centre transferring to them to be managed as a stand-alone unit or as part of an existing school is inconsistent with their core business. However, they are supportive of the market being tested to establish interest from other specialist organisations in recognition of the shortage of alternative education provision for Warwickshire children.

7.5 In conducting this review a dialogue has been had with Alternative Education Providers operating in this market. This could now form the basis of initiating further discussions should provision be withdrawn.

## 8.0 Buildings and Lease

8.1 The buildings that house the Centre are leased by WCC from a private landlord at a current rent of £46,000 per annum. The roof requires replacement within the next 6 – 24 months at an estimated cost of £335,000.

8.2 The lease is currently ‘holding over’ and WCC is required to either exit the lease which will include negotiating a settlement with the landlord taking account of the condition of the premises or to enter a new lease with the landlord which will include negotiating a rent reduction to take account of the cost of a replacement roof and the benefit that brings to the landlord.

## 9.0 Review Conclusions

9.1 This review, which was considered by Corporate Board on 18 February 2015, agrees substantially with the conclusions of the original case for closure, in that WCC’s continued provision of the Nuneaton Opportunities Centre is no longer viable as an economic regeneration scheme. The continued operation of the Centre is not viable financially, and whilst the Centre provides a degree of alternative education it is not best placed to do so. The outcome of this review will be considered by Cabinet.

9.2 The Opportunities Centre is operating in an economy and a market place markedly different to the one in which it was established. There are now many providers of skills training and alternative education. Such providers are both more appropriately qualified and offer better value to deliver such an offer.

## Background Information

None

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