



**WEST NOTTINGHAMSHIRE COLLEGE
FINANCE & ESTATES COMMITTEE**

Minutes of the Finance & Estates Committee meeting held in Vision Room on Thursday 6 December 2012 at 5.15 pm

BOARD MEMBERS PRESENT: Kate Allsop
Terry Dean
Malcolm Hall
John Robinson
Asha Khemka
Colin Sawers
Chris Winterton
David Overton (Estates matters only)

ALSO IN ATTENDANCE: Maxine Bagshaw, Clerk to the Corporation
Andrew Martin, Deputy Principal/Director of Finance
Tom Stevens, Executive Director: Capital Projects & Estates

		ACTION by whom	DATE by when
12.83	<u>DECLARATION OF INTERESTS IN ANY ITEMS ON THE AGENDA</u> The Chair reminded those present to declare at the start of the meeting any interests that they may have on any items on the agenda. No interests were declared.		
12.84	<u>WELCOME, INTRODUCTIONS AND APOLOGIES FOR ABSENCE</u> No apologies for absence were made.		
12.85	<u>MINUTES OF THE MEETING HELD ON 22-NOVEMBER 2012</u> AGREED: that the minutes of the meeting held on 22 November 2012 were a correct record and were signed by the Chair.	Chair	6 Dec 2012
12.86	<u>ACTIONS OUTSTANDING & MATTERS ARISING FROM THE MINUTES</u> There were no matters arising. The action progress report was noted.		
12.87	<u>SIX STOREY TOWER CLADDING – TENDER REPORT</u> The Executive Director: Capital Projects & Estates introduced this item and made a presentation to the Committee regarding the financial affordability and proposed building contractor appointments. He indicated that his report falls into two sections, the first being financial affordability and the second being proposed contractor appointments.		

Signed : _____ Chair

Date:

1) Financial Affordability

The Executive Director capital Projects & Estates indicated that his presentation was intended to remind Governors of 'where we are'. Members were shown a slide, which detailed the outstanding areas to be clad. Members reviewed the project budget variances and noted the original plan back in 2010, the adjusted figures in June 2012 and the cladding construction tender, (which is currently the best tender) and which comes in at £800k more than the budgeted figure.

He reminded Governors that there has been a reduced scope of work to try and offset some of the higher than anticipated budget figures. Members' attention was drawn to the list, which it is anticipated would seek in some way to bring it back in to line with the June expectations. Members' attention was specifically drawn to the roof and wall insulation work required, it was explained that these costs came as a bit of a surprise as it was believed that insulation, albeit at a lower level, was included. The fact that there is no LRC roof or wall insulation at all is a significant deviation from the expected position.

Members were reminded that in June 2012 it was known that the likely cladding costs would be over budget and therefore the decision was made to re-adjust the scope of works, particularly a lighter touch approach taken regarding the Sherwood Care building and No. 19. In addition, the work regarding the Trades Building was agreed to be deferred.

Members reviewed the best tender cost from Clegg and acknowledged that the £5.1million cost includes more work than envisaged in the June 2012 re-adjustment and therefore it is important to get a clearer understanding of the cost of the component parts.

Members reviewed the slide headed 'affordability of the current proposed programme' and the following was noted:

- Sports Hall/Parking – forecast of £2,909 - this is a worst case scenario for final out turn for Sports Hall cost, but the hope is that it will not be as high as this.
- Total programme cost increased from £24million to £25,670million, this is because of additional work now within the programme. Main contributing factors to the increase are Trades Building, CREATE, Sports Hall, Teaching Block and Visual Arts.
- In addition to the above, the additional project regarding the Engineering Centre is estimated to cost £3million.

Members reviewed the slide headed 'financing of residual programme' and noted that increased capital grants have been received since the original project budget was established. In addition, disposal proceeds have been reduced, as there is some doubt about realising sales at this time. It was noted that the lending cap of £17million will not be

Signed : _____ Chair

Date:

breached, although there is a gap regarding budget cost changes as a result of new projects which have come on line during the cycle of the project so far.

Members reviewed his detailed written report and the following was noted:

- All received tenders for the six-storey tower cladding have come in over budget. The most competitive tender of £5,166,445 is £861,445 above the £4,305,000 budget.
- The tenders include an increased scope of work that equates to a cost of around £422,092 and £41,377 of works to the Trades Building that could be deferred. If excluded, this reduces the tender to £4,702,976 which is £397,976 over budget.
- Financial affordability – College secured loan facilities of £17million. The College has also secured £3.323million ERG grant funding.
- Actual expenditure on capital programme to date is £14.12million.
- Proposed project includes cladding of buildings £4.703million, Visual Arts relocation of £2.364million and Engineering Centre of £3million.
- Total forecast for the £24million programme now stands at £25.670million, of which £900k is linked to grant application, leaving a balance of £770k to finance.
- The decision to pursue the Engineering Centre relocation suggests a further £3million of investment, bringing total forecast to £28.7million.
- The financing of the £4.670million residual programme can be funded through £1million from the bank loan, £3.323million capital grants and £1.347million College reserves.

The Director of Finance confirmed that, in his view, the project is affordable as things stand at the moment. He did, however, indicate the risk to the College if things change. At this point in time, the College can afford the extra costs associated with the cladding.

A concern raised by Committee members was the cut backs made in relation to the internal works. It was acknowledged that this is only a short term position that can be sustained and, in reality, it was likely that a complete internal refurbishment programme was required. Members questioned whether, in focussing funds on the external experience to the detriment of the internal, this would diminish the students' experience. Members questioned whether students would be disappointed by the look of the new site given the promise of the external façade.

Governors felt that the decant was a perfect opportunity to undertake refurbishment, and questioned whether there was anything within the proposed external works programme that could be deferred or sacrificed to allow the internal refurbishment. Members debated the possibility of putting the Engineering Centre proposals on hold and using the funds available in this area for internal works.

Signed : _____ Chair

Date:

All agreed that there was a need for the Committee and the Board to be comfortable about hitting future targets, as affordability was predicated on hitting these targets.

Members discussed the proposal to defer an element of the lighting scheme to save costs at this time. Members questioned whether or not, if the whole lighting project is not undertaken at this point in time, there would be significantly more costs at a later date. Members were given assurances that this was not the case, and that what is included in the tender costs is the Tower lights, and what is proposed to be deferred is fairly minor ground works in other areas. The Executive Director: Capital Projects & Estates indicated that as part and parcel of agreeing the contract, he would look to try and fix the future price of any additional lighting with appointed contactors at this point in time.

Members discussed the insulation cost deferral and indicated that, whilst there may be installation costs, there would actually be energy saving costs which would offset. In general discussion it was acknowledged that it would be more difficult to retrofit insulation to the walls because of the cladding. By comparison, retro fitting insulation to the roof would be quite straightforward.

In terms of the financial position, it was acknowledged that reserves of £3.3million are ahead of where the College forecast itself to be when the original plan was approved. From reserves, the College will need to use £1.3million to fulfil its plans, this then does give some additional capacity for future eventualities.

The Principal confirmed that the Board is being asked to take a calculated bold decision. She indicated that Auditors were entirely happy about the level of reserves and no concerns were expressed and that financial statements have been signed off. She explained that the SFA also have a financial overview of the College and no concerns have been raised. It was also noted that the Colleges financial performance and management should be cross-referenced with the PFA review, where a grade 1 was given in relation to financial planning and systems.

In conversation it was noted that the proposal in relation to the Studio School is an entirely separate initiative and will be funded entirely independently.

In reviewing the proposal put forward, members acknowledged that there were always choices to be made and consequences throughout the whole project. Whilst it is not possible to do everything, there is a need to make compromises, until funding opportunities dictate otherwise. Having reviewed the financial projections, members were entirely happy with the figures and the affordability of the plans. What remains a concern, however, is the apparent inability to constrain additional costs. Members had no real assurances that forecast costs would not go up again, although it was noted that contingent funds are 6% of the project.

Signed : _____ Chair

Date:

The proposal put forward by the Executive Director: Capital Projects & Estates was:

- Continue to liaise with the two lowest tenderers to ensure that their tenders are compliant and are on a like for like basis.
- Issue the College's revised programme criteria to the two lowest tenderers for their review and assessment.
- Meetings to be set up with the two lowest tenders to discuss a) programme, b) content of their tender and clarification that they are aware of and have included the full revised scope of works in their tender, c) which sub-contractor will undertake the cladding work and what contact work/liaison they have with KME.
- Confirm any scope reductions required to the proposed contract.
- The two lowest tenderers to be requested to provide revised tenders based on the further scope of work in the programme criteria.
- Principal to be given delegated authority to appoint a building contractor within a range of £3.8million to £4.1million plus VAT.

Members were entirely happy to make the recommendation to the Board that they approve the proposed way forward.

Members then went on to discuss the contractor appointment and received details regarding the reasons for additional costs, primarily they are a) six storey lighting and b) preliminaries. In relation to preliminaries, it was acknowledged that these are made up of a significant amount of time not envisaged in the original budget to fix the cladding.

In terms of a risk analysis, members all acknowledged that the most significant concern was in relation to the provision of the cladding by KME as they have not proved to be particularly reliable in the past.

Taking all matters into consideration, members were happy to continue with the proposed recommendation to the Board at the meeting scheduled for later in the day.

12.88 **AOB**

There were no items of additional business.

12.89 **DATE OF NEXT MEETING**

The Clerk to the Corporation reminded members that the next meeting was scheduled for 28 February 2013.

Meeting closed at 6.00 pm.

Signed : _____ Chair

Date: