

SOUTHPORT COLLEGE

MINUTES OF SPECIAL RESOURCES SUB-GROUP MEETING HELD ON THURSDAY 14TH JUNE 2018

Present:	Keith Millington	Independent Governor (Chair)
	Veronica Fell	Independent Governor
	Vipin Trivedi	Independent Governor
	John Clarke	Principal/CEO
In Attendance:	Eddie Green	Vice Principal Services
	Jan Regan	Head of Estates & Facilities
	Lesley Venables	Clerk to the Corporation

APOLOGIES FOR ABSENCE

236 Apologies for absence were received from Rob Firth (Independent Governor) and Stephen Breen (Associate Member).

DECLARATIONS OF INTEREST

237 A declaration of interest was received from Veronica Fell (Chair of the Corporation) as she is married to John Fell (Independent Governor).

ACCOMMODATION STRATEGY

238 The Sub-Group was reminded of the decision made at the Strategy Day (23rd May 2018) and included in the minutes of the meeting held on 24th April 2018 to convene a sub-group which would meet to consider the tenders for the Reception/Steelwork Project. However, following the receipt of tenders for capital projects that would be undertaken over the summer, it was now necessary to widen the scope of the meeting and this would take the form of a special committee meeting.

239 Governors received a tabled paper on a number of projects that required the Committee's consideration and approval before they could commence.

Reception /Steelwork

240 The Vice Principal Services reported that when this project was first considered as part of the Restructuring Bid, the cost of £220K had been based on a number of quotes that had been reviewed by the College's consultant quantity surveyor. The project was necessary due to the corrosion of the existing steelwork and the need to provide an appealing entrance/reception area at KGV similar to that at the SC Campus, which would enable the College to provide a comprehensive service to learners.

241 However, during the recent tender exercise the cost had increased to £240K, with the main contractor element at £143K. Thus, management had felt that cost savings would be achievable if the project was managed in-house, rather than by the main contractor.

242 From the 4 companies which had been approached, 3 had submitted formal tenders and it had been apparent that all quotations substantially exceeded the original estimates. The College had started to undertake a value engineering exercise, with advice from the Quantity Surveyor. Two firms had re-submitted tenders, the lowest of which was £317K (which did not include a number of items and actually totalled £350K when these were added in).

243 Meetings had taken place to determine the reasons for the significant increase in costs and it was concluded that approximately £90K was due to mechanical and engineering works that may not all be absolutely necessary and the omission of some elements of which would not compromise the finished product. Governors questioned whether there was any opportunity for negotiating on these costs and were advised that the College had considered this, but the cost of the main contractor would still be £212K before other essential works were added in

244 The College had then considered self-managing the project in-house using contractors it had previously hired for similar work and the main building contractor would remain the same (Aztec). Management felt that the mechanical and electrical works could be reduced to a minimum and that the heating system part of the project could be undertaken as part of the boiler replacement detailed later in the meeting.

245 A project plan was currently being developed that contained individual packages of work to be undertaken by the College's usual contractors.

246 Governors were advised that managing the project in-house would mean that there would be insufficient time to operate a full tender process. The Sub-Group was asked to agree to this strategy on the basis of the cost savings that could be achieved but had not yet been clarified.

247 Management believed that expenditure reductions could be made, however, the costs of a number of elements of the project had yet to be confirmed. It was expected that the full schedule of costs would be available next week, but this would have an impact on the completion timescale.

248 In response to questions, the Vice Principal Services reported that there were 3 options: proceed with the original lowest tender at a cost of £350K, self-manage the project or defer it altogether. The latter was not a preferred option.

249 Governors were advised that an amount for the project had been included in the budget agreed with the Transaction Unit. However, it would not be prudent to proceed with a project that had a negative result and involved a significant increase in costs. Additionally, the Corporation had recently approved a further capital project where the actual costs had been £200K in excess of the estimates, although it was noted that this was partly offset by savings on other capital projects.

250 The Sub-Group asked whether the costs provided were accurate and was informed that management had discussed the costs with its own experienced contractors to assess whether the work was necessary and priced appropriately.

251 Governors questioned whether the College had the resources to absorb an overall estimated additional £232K of expenditure and were advised that the forecast submitted to the TU indicated that any additional capital expenditure would be discounted. If the College over-performed, then it would need to pay back extra monies and if this was not achieved, the £232K would be paid from the College's reserves. The target minimum level of reserves had been set at £1.8m and this would still be maintained after the £232K had been accounted for.

252 Concern was expressed about the ability of the College's own contractors to complete the works prior to the start of the new academic year. The Head of Estates & Facilities reported that some, but not all, contractors had already been approached to determine their availability and management was confident that this would be the case for the remaining companies.

253 A maximum of £15K had been spent to date on professional fees for the project which, if deferred, could be used at a later point.

254 The Committee concurred that option 3 should be excluded from its considerations and that, with the appropriate caveats, options 1 and 2 were both affordable.

Boilers

255 The Vice Principal Services reported that the original quotation for the replacement of the boilers at KGV had been for £114K and had been included in the TU forecasts. However, it had been suggested that a building management system should be added to the schedule of works to provide greater efficiency, at an additional cost of £30K.

256 Two tenders had been returned, both of which were from companies with which the College had worked previously. The lowest tender was for £153K, with additional fees payable to the mechanical engineering consultant to bring the total cost to £160K, which exceeded the original budget by £46K.

257 In response to questions, the Vice Principal Services advised that there was no further opportunity for value engineering on this project.

MUGA

258 The forecast submitted to the TU had been for £150K, but management had felt that the scope of the project would not meet the College's needs and, therefore, the tendered specification had been for a larger pitch.

259 The tenders that had been returned had varied significantly in terms of cost. A specialist consultant had been engaged to assess the requirements and a total cost of £140K had been viewed as reasonable, which was £25K in excess of the original budget.

260 Planning permission would be required for the lighting and was anticipated to be granted at the end of July or early August. Governors were advised that a contractor could be appointed, subject to planning consent. The project would be completed in September, but this would not adversely impact on learners.

261 It was noted that this facility could be let to external third parties and may be able to generate revenue for the College in future.

Sports Hall Changing Rooms

262 The Vice Principal Services reported that the College had intended to contract out this project, however, this decision had been reversed and was now due to be undertaken by experienced contractors used previously.

263 The overall cost of the project was £100K, which was within the original budget. However, part of the schedule of works had been split into 3 elements for which individual quotations had been obtained, instead of being tendered in line with the Financial Regulations, which specified that this procedure should be followed for amounts over £25K.

264 In response to questions from the Committee the Vice Principal Services reported that further savings were unlikely if the total schedule of works was packaged together and tendered.

265 It was agreed that the Financial Regulations could be waived in this instance and that the tender limits within the Financial Regulations should be reviewed, with proposals submitted to a future Committee meeting.

Summary

266 The Reception project (£232K) represented 9% of the College's total capital budget. The additional expenditure on the projects outline above would have to be derived from the College's reserves and, under the arrangements with the TU, would be excluded from any over-performance calculations.

267 The College was required to draw down the loan funding from the TU by March 2019, which would be added to reserves and enable the £1.8m minimum level to be maintained.

268 3 options had been identified for the Reception project: 1) proceed with the existing tender; 2) manage the project in-house; or 3) defer the project until next academic year.

269 It was suggested that for options 1 and 2 a maximum budget should be set of approximately £330K, which was mid-way between the tender costs received. It was agreed that the College should aim for a total cost of £300K.

270 Governors noted that the self-manage route placed additional pressure on management to deliver the project on time and asserted that savings would need to be of sufficient size if this option was pursued.

271 The Head of Estates & Facilities responded that, in her opinion, the tender package for the project had been over-specified for the internal works. The College would be using contractors with which it had worked for several years and management was confident that the challenging timescale could be met. There was a higher level of detail and specification required for the exterior works, which would be undertaken by the company that had submitted the lowest tender for the whole project (Aztec).

272 The Committee was reminded that the information provided by management at this meeting would assist in determining the risks associated with the project. It was recognised that there was a difference between managing a number of preferred contractors compared to managing a main contractor. However, if the in-house route was chosen, then advice would still be available from the College's consultant architect and quantity surveyor. In addition, this type of project management had been used for the Southport College campus reception works.

273 Management felt that the potential estimated savings of the in-house route were sufficient to pursue this option.

274 Governors discussed whether a further formal meeting should be held on Tuesday 26th June or if the matter could be resolved by written resolution once further information had been provided.

275 It was agreed that further information, including confirmed costs of the Reception project, would be circulated to the Committee as soon as possible for consideration and that the Clerk would then draft a written resolution for agreement by Committee members by 11.00 a.m. on Monday 18th June.

276 **Resolved** - That the following items be approved:

- 1 The replacement of the boilers and the installation of a building management system at KGV at a budgeted cost of £160K
- 2 The installation of a Multi-Use Games Area at KGV at a budgeted cost of £140K
- 3 The refurbishment of the Sports Hall Changing Rooms at KGV at a budgeted cost of £100K
- 4 That, in respect of the building works for Sports Hall Changing Room refurbishment, the requirement in Financial Regulations for a full tender process be waived retrospectively.
- 5 That the Financial Regulations be reviewed during 2018/2019 to ensure that sufficient controls were in place whilst not inhibiting progress on capital projects with an urgent deadline, including the suggestion on tender limits.
- 6 That further information on confirmed costs of the Reception project be circulated to the Committee as soon as possible and that the Clerk then draft a written resolution for agreement by Committee members by 11.00 a.m. on Monday 18th June.

277 Although initially this meeting had been a Resources Sub-Group meeting, it was subsequently agreed that it should be a full Committee meeting. Following the provision of further information to enable members to make an informed decision, it was implicit that any decision by the Resources Committee would be undertaken through a written resolution circulated to all Committee members.