

**Programme Management Group**

**14 June 2018**

**Skills Capital projects for 2018/19 – Item 3**

**Programme Management Group members are asked to:**

**AGREE** the Guildford College ‘Technology Tower’ be approved and proceed immediately to due diligence.

**AGREE** that the Brooklands College and Brockenhurst College ‘Condition works’ projects proceed to legal agreement.

**NOTE** the update to the ‘Pathway to the Virtual Campus - EM3 Digital Technology Centre’ project

**1. Guildford College ‘Technology Tower’**

- 1.1 Guildford College submitted an Expression of Interest on 13 April 2018, in response to our call for new projects deliverable in 2018/19. The project was independently assessed by Deborah Wyatt of Hanmer Management Ltd. The project was assessed as ‘C’ due to its lack of identified outputs, minimal match funding and risk associated with the proposed merger process the College is currently going through.
- 1.2 PMG agreed at their meeting on 10 May that additional work should be carried out with projects in the other categories that had the potential to progress further.
- 1.3 The College has reviewed its original application and working with the Project Manager for Skills has resubmitted a much stronger and clearer proposal.
- 1.4 The new project proposal addresses the failing from the previous submission and responds to business demand for construction skills and the development of low carbon construction skills.

Project Name:	The Technology Tower
Applicant:	Guildford College
Location:	Guildford College, Stoke Park Campus, Guildford
Local Growth Fund:	£300,000
Match funding:	£300,000 from college cash and capital budget
Outputs:	<ul style="list-style-type: none"> <li>• 5 direct jobs (teaching/ technician and assessor posts)</li> <li>• Increased learner numbers per annum: <ul style="list-style-type: none"> <li>▪ Apprenticeships 50</li> <li>▪ Other learners 105</li> </ul> </li> </ul>

Brief description:	<p>The project remodels and refurbishes the College's Construction and Technology facilities into an underutilised tower block. The current buildings comprise two modular temporary workshop blocks, which have significant infrastructural deficiencies.</p> <p>The Technology Tower will be the new home of industry standard training and learning space for carpentry, electronics, electrical testing and gas assessment rooms, electrical workshops, multi-trades including painting and decorating, groundwork and other pathways at lower levels, AM2 Electrical Assessment Centre and plumbing workshops.</p> <p>The development will create a Gas assessment Centre and AM2 centre both fill a gap in the local market and a requirement for final assessments.</p> <p>The College are developing their curriculum to include environmental technologies pathways within their higher-level courses.</p> <p>The preferred merger partner Activate Learning are engaged and supportive of the vision of the project. The delivery of the project will be undertaken by a team not associated with the merger project.</p>
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- 1.5 The new proposal was independently assessed by Deborah Wyatt for the suitability of the project based on three specific criteria – deliverability within 2018/19, strategic fit for Enterprise M3 and providing value for money (defined by outputs, matched funding and whether the project was proposed on a loan basis).
- 1.6 This assessment ranked the new proposal as A – a well written proposal that is deliverable within 2018/19, provides economic outputs, has a strategic fit for Enterprise M3 and is costed appropriately.
- 1.7 It is recommended that PMG approve the project to progress to due diligence.

## 2. Brooklands College and Brockenhurst College Condition Works

- 2.1 The PMG approved progression of Brooklands College and Brockenhurst College Condition Work to due diligence at the meeting 1 May 2018.
- 2.2 Regeneris were commissioned to undertake Skills Capital Due Diligence. Detailed reports have been submitted to Enterprise M3, if PMG members wish to review these reports and the Expression of Interest documents please email [sarah.carter@enterprisem3.org.uk](mailto:sarah.carter@enterprisem3.org.uk). The review covered three main areas:
  - 2.2.1 Economic/strategic benefits, including:
    - Evidence of Need
    - Additionality of the project
    - Options Assessment
  - 2.2.2 Deliverability, including:
    - Project Programme
    - Risk Analysis

### 2.2.3 Financial Appraisal, including:

- Cost analysis
- Match Funding
- Investment Appraisal
- Project Cashflow

### 2.3 Brooklands College Condition Works project details are outlined below:

Project Name:		STEM Engineering and Construction expansion and improved infrastructure
Applicant:		Brooklands College
Location:		Brooklands College, Weybridge, Surrey
Local Growth Fund:		£250,000
Match funding:		£250,000 of public sector match
Outputs:		<p>This is a college condition fund project</p> <ul style="list-style-type: none"> <li>▪ Safeguarding of provision for around 900 learners as a result of the boiler replacement.</li> <li>▪ Increase in provision of 60 additional classroom places and 30 additional apprenticeships in construction predominantly at Level 2.</li> <li>▪ Improving the quality of the teaching environment for STEM provision (including apprenticeships and full time provision) by refurbishing space which is currently in a poor condition.</li> </ul>
Brief description:		To install a new boiler and to remodel and refurbish parts of the college used for teaching of STEM and construction to expand the provision.

### 2.4 The due diligence analysis showed that the safeguarding of provision from the boiler cannot be considered an additional outcome of the LEP funding since it would be funded through the college's capital budget if the funding was not approved. However, by integrating the boiler replacement with the remodelling/refurbishment works, the grant would provide additional capital that would enable the remodelling and refurbishment works to take place. Without the LEP investment, it would take the

college two or three years to fund the remodelling/refurbishment from its capital budget.

- 2.5 Although increasing Level 2 provision in construction is not a direct strategic priority of Enterprise M3, Brooklands College has provided adequate evidence that it is responding to employer demand and would help to address current skill shortages in the housebuilding industry. Several house builders including Lee Marley, Berkeley Homes, Redrow Construction and Kier Construction working with Brooklands College have reported an increased demand for apprenticeships because of the introduction of the levy and to meet the demand for housebuilding in the South East.
- 2.6 The due diligence report showed that the College has also provided sufficient evidence that the project could be delivered by the March 2019 deadline.
- 2.7 Regeneris recommend that we approve the project, subject to the qualifications set out below:
- The applicant has indicated that, subject to the outcome of the procurement, it may not be possible to fund the refurbishment and remodelling works on all the buildings identified from the existing budget. The applicant should
    - Confirm the impact on project outputs and timings should costs overrun
    - Provide confirmation that the college will meet any cost overruns from the capital budget contingency and
    - deliver against proposed project outputs
  - Clarify the costs of the boiler replacement and the remodelling/refurbishment works. The current cost template groups the two together and there appears to be an inconsistency between the costs of the boiler installation in the template with the cost estimate provided by Talmouth Ltd.
- 2.8 We have requested from Brooklands College a response to these caveats and a verbal update will be provided at the meeting.
- 2.9 Brockenhurst College Condition Works project details are outlined below:

Project Name:	Main Teaching Block Roof Improvement/Replacement Project
Applicant:	Brockenhurst College
Location:	Brockenhurst College, New Forest
Local Growth Fund:	£500,000
Match funding:	£500,000 of public sector match
Outputs:	<p>This is a college condition fund project.</p> <ul style="list-style-type: none"> <li>▪ The college have identified that without the repairs to the roof, they risk being unable to use the teaching and office space in the affected building, which will result in the loss of its ability to deliver a number of courses – notably in digital, media, engineering, computer science, as well as its apprenticeship provision. The college have identified that the affected headcount totals 4,409, which represents a significant proportion of the college's delivery.</li> </ul>

Brief description:	Improvements and replacement of the main teaching block roof, including removal of asbestos to maintain building integrity and ensure college continuity. Replacing and modernising the buildings loft insulation, which would significantly improve the heat insulation of the college's main building, reduce its carbon footprint and enhance the energy efficiency of the college.
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- 2.10 The due diligence report shows evidence that provision is currently being affected as the college is unable to use some existing classrooms due to HSE requirements in relation to the asbestos on site; leaks are causing an unsafe learning and teaching environment; and the need for repairs and fact that some parts of the college are closed off are impacting on the reputation of the college and its ability to attract students.
- 2.11 Regeneris recommend that we approve the project, subject to the qualifications set out below:
- Confirm the level of slippage that has been incorporated into the project programme in order to determine whether this is sufficient to mitigate against adverse weather conditions stalling activity for extended periods. If only limited slippage has been incorporated, EM3 may also want to consider whether there is the potential for minimal funding to be provided beyond March 2019.
  - Confirm with the college whether the level of contingency is appropriate and whether a level within the range 7.5%-10% should be considered until the procurement process is completed and the costs are known with greater certainty.
  - Subject to a satisfactory outcome regarding match funding, a bank loan is being secured.
- 2.12 The College have provided a response to the three qualifications:
- The College is committed to finishing the project by the March deadline and is already exploring starting the second phase (i.e. external roofing works) this summer. The asbestos works would be divided into sections, such that the roofing works could commence once a particular section of the roof is completed. This would allow the second phase to overlap and speed up the project.
  - The College has confirmed the overall contingency of 7.5% would be appropriate for a project of this nature and this will form part of the discussions with the contractors while finalising the procurement process.
  - The College recent discussions with Barclays, shows they are confident of obtaining the required match funding of £500,000. The bank is fast tracking the College's request and the Health and Safety imperative behind the project makes it a very strong case.
- 2.13 It is recommended that PMG approves the projects, subject to the caveats identified through due diligence are met. These projects will safeguard delivery of learning critical to the Enterprise M3 area from constructions needs to STEM subjects at Brockenhurst.

### **3. Pathway to the Virtual Campus - EM3 Digital Technology Centres**

- 3.1 The Pathway to the Virtual Campus - EM3 Digital Technology Centres was presented to PMG as an A project. PMG approved the project but were disappointed that Farnborough College of Technology (FCoT) was the only FE college not included in

the project and wanted to see all FE colleges in Enterprise M3 having standardised IT offer. PMG tasked Sarah Carter to contact FCoT to feed back the view of PMG.

3.2 FCoT have been working with Sparsholt College to be included in the project and are now providing some match funding into the project. This takes the Local Growth Fund request from £1,508,000 to £1,752,500 with a 50% match.

3.3 The project will now progress to due diligence.

#### **4. Summary**

4.1 The resubmission of the Guildford College is a significantly improved project with direct outputs. This project sits in between a condition fund and a new skills centre project because it creates new spaces within a repurposed building and has direct economic benefits of increasing learner numbers – which is different to a pure condition project. In my opinion I would rank the project, in the skills capital category, as 2<sup>nd</sup> highest, after the EM3 Digital Technology Centres proposal as it has new apprenticeship numbers and is developing the construction curriculum to meet the needs identified in the Industrial Strategy around clean growth. It is recommended that PMG approves the project to progress to due diligence.

4.2 It is critical that we support the safeguarding of current delivery in the Colleges by improving the learning experience for students. It is recommended that PMG approves progressing the Brooklands College and Brockenhurst College projects to legal agreement subject to the caveats identified in the due diligence reports being addressed.

Sarah Carter  
Head of Skills  
15 June 2018