Minute of the Estates & New Campus Development Committee Meeting held in Room F128, Ayr Campus at 5.30 pm on Tuesday 25 February 2014

Present: Waiyin Hatton (Chair)
Nicki Beveridge
Heather Dunk
Steven Fegan
Alan Walker
Willie Mackie

In attendance: Duncan Baird
Michael Breen
Brendan Ferguson (Minutes)
Jane McKie
Eileen Mackin

1 Welcome and Declarations of Interest

The Chair welcomed everyone to the meeting. There were no declarations of interest.

2 Apologies

Apologies were received from Tom Wallace, Ian Craig, Jackie Galbraith and Bernadette McGuire.

3 Minute of the meeting held on 31 October 2013 (*Paper 1*)

The minutes of the meeting held on 31 October 2014 were approved as the correct record.

4 Matters Arising

There were no matters arising.

5 Current Ayrshire Estate

5.1 2013/14 Capital Expenditure Programme (to 31 March 2014) (Paper 2)

M Breen introduced the paper and explained that this paper was in essence the same paper presented to the Finance Committee at its meeting on 11 February 2014. M Breen explained that some additions had been made due to timing to show projections of additional capital expenditure to 31 March 2014. The paper shows approximately £391k had been spent to the end of November 2013 and it is projected that a further £1.25 million of capital investment will be committed and spent up to 31 March 2014 bringing the total investment projected for the eight month period to the end of March 2014 to £1,644 million.

ICT equipment is a priority this year, particularly at the Ayr and Kilwinning Campuses and much of that was delivered and installed in December 2013 and January 2014. There is also projected to be further investment in other learning assets and also further capital works are planned for Ayr Campus to be completed by March 2014. The Chair, on behalf of T Wallace, noted the requirement to ensure the works/ goods and services were completed by the end of March 2013 in line with accounting requirements.

Members were asked to note that the College capital programme was planned on a full academic year basis and was expected to be funded by a combination of SFC grant and college reserves. M Breen noted that clarification was awaited from SFC due to ONS and, in particular, the resulting 8 months financial year with the College considering two options for the capital funding.

Under the first option, capital expenditure to the end of March 2014 would be entirely funded from the SFC grant. The second option provided the alternative of using a combination of College reserves and SFC capital grant with the balance of the SFC funds deferred to 2014/15. This option would reduce the overall cash transfer from Ayrshire College to the Foundation and allow the College more control over the delivery of its 2014/15 capital expenditure programme by reducing recourse to the Foundation. The College had already raised this point with SFC and was awaiting further clarification from them regarding the phasing of its capital budgets and the ability of the College to defer capital grants to the following financial year.

The Committee noted the Capital Expenditure position at November 2013 and further investment planned for the remainder of 2013-14.

5.2 Lands and Buildings Valuation: Newtonhead, Ayr and Saltcoats (Paper 3)

M Breen introduced Paper 3 and reported that the above properties had been on the market for some time, but had not attracted buyers. The property portfolio inherited from the legacy colleges had been professionally valued by the District Valuer as at 31 July 2013 for the purpose of including the valuations in the 2012/13 financial statements of the legacy colleges. For the above properties these market valuations were:

Newtonhead, Ayr - £375,000 (vacant land only)
Saltcoats - £250,000 (land and buildings)

Newtonhead, Ayr – Members were reminded that this land was occupied by a vacated primary school taken over some time ago by Ayr College. The school building had been demolished leaving the land, which had been marketed for sale by Bell Ingram (now Shepherd Commercial) at £1,000,000. This price was originally based on the land being developed for use as a care home, however this now seems unlikely given there is a supply of superior sites available to care home developers. Further discussion has taken place with Shepherd Commercial and their advice is that the land would be more suited to development as an affordable housing site given the nature of the adjacent properties. Shepherd Commercial consider that a price of £400,000 (less any decontamination costs) would be more achievable. Clearly this represents a considerable reduction on the marketed price of £1,000,000.

Saltcoats – M Breen reminded members that the asking price for the Saltcoats property, Moffat House is currently £425,000. The selling agent is Knight Frank. Although there has been some interest in the property, a high profile building which sits in the centre of Saltcoats, the buildings require some repair and that combined with the valuation does not appear to be encouraging a sale. The College is now in discussion with Knight Frank to establish if a reduction in the asking price is more likely to encourage offers.

Any reduction would be closer to the District Valuer estimation of £250,000. Again this would represent a reduction in the current marketed value.

Members discussed the contents of the paper and report and, in particular, the revaluations. The Chair also posed questions provided in advance by T Wallace and I Craig. All questions were answered. These questions covered carrying values in the Accounts and likely effect on the balance sheet, the service and profile being applied to these properties by the current Agents. In relation to the valuations it is not considered that at this stage that the eventual selling price will have an adverse effect on the balance sheet.

The Chair then summarised the paper as to whether the College should be looking to actively market the land and buildings at the lower valuation and look at using a single selling agent for both properties.

The ensuing discussion included the point that in addition to selling agents, auction is another option worthy of consideration. In order to safeguard the valuation a reserved price could be placed on an auction sale. Auction with a reserved price may be a safe way to test the market to see whether there was any appetite for the sale of this land and property. The Committee also questioned the efforts being made by the current selling agents, but acknowledged a difficult market. There was broad agreement that the College should seek to identify the most appropriate selling agents for the above land and property in order to expedite the sale. The Committee was also conscious of the high profile location of Moffat House within Saltcoats, and of the need to maintain the reputation of the College as owners of the building.

Action: The College seek to sell the above land and buildings in line with the market revaluations presented, which are in line with the current balance sheet figures. In the process, the College should seek to identify the most appropriate selling agent to expedite the sale. Land and property auction should also be considered as a possible medium for conducting the sale.

The Committee recommends to the Board of Management that the College pursues an active marketing strategy based on the latest evaluation in respect of these two locations.

5.3 Sustainability Report (Paper 4)

D Baird introduced the above report by explaining that following the establishment of Ayrshire College the sustainability approaches adopted by the legacy colleges have been brought together and adapted to meet the needs of the legislative requirements and the reduction of the College's carbon footprint.

D Baird noted that the initiatives incorporated into the Carbon Management Plan will link closely with the proposed Capital Works and Planned Maintenance Programme to ensure the Plan can be met from within planned budgets.

D Baird explained that food waste is now being disposed of in line with the new legislation and over the next year a tender process will seek to standardise the contractors being used for food and general waste disposal across Ayrshire Campuses. In addition, all recycling regulatory requirements are now being met ahead of the deadline set.

A Travel Plan, closely tied into the Carbon Management Plan, is also being developed to look into the detail of how students and staff travel to the College Campuses. The first travel surveys are currently being conducted and will provide important data to support the roll out of the Plan. Currently many students and staff travel by car and this is putting enormous pressure onto the car parking facilities available at the campuses in addition to being environmentally unfriendly. A major strand of the Travel Plan will be the Liftshare initiative which will promote sustainable ways for students and staff to travel together to College. This initiative does not focus only on car travel but will also highlight the public transport options available. Liftshare has been successfully introduced elsewhere in both private and public sectors and has been shown to significantly reduce single car usage. The Travel Plan will encompass the whole College as a single organisation and will be actively publicised and promoted. Pocket guides will also be produced to assist students and staff to plan their travel.

Finally, D Baird noted that in order to promote sustainability as the responsibility of all students and staff of Ayrshire College, it is the intention to establish an ECO group before the end of June. The objectives of the Group will be to promote sustainability widely within the available resources, identify new initiatives and ensure continuous improvement over a period of time.

Members welcomed the above report and noted that the Travel Plan can be linked into the College Wellbeing Initiatives. The Committee thanked D Baird for the above report and looked forward to receiving updates at future meeting.

The Estates and New Campus Development Committee noted the sustainability initiatives being developed.

5.4 2014/15 Capital Expenditure Programme (Paper 5)

M Breen introduced the above paper by stating that the Capital Expenditure Plan was large and ambitious, but was appropriate within the context of an organisation the size of Ayrshire College. The programme for capital expenditure is linked to the Curriculum Development Plan (CDP) for academic year 2014-15 and the portfolio of courses to be offered across Ayrshire College. The plan is also structured to ensure that the same high quality and support experience is shared by all learners across all campuses. Also, with the opening of the new campus in Kilmarnock scheduled for 2016, there is a requirement to ensure that facilities available at the other campuses are of a comparable standard. M Breen made the following specific points in relation to aspects of the proposed programme:

- The creation of an upgraded Composite Lab in the Aerospace Building is an important project in terms of the overall development of engineering facilities within the College and will provide the facility to allow the delivery of composite courses to the aerospace and other industries.

- The plan to transform the entrance area to the Dam Park Building will bring Student Services, Student Funding, Flexible Learning and the Library together to provide a contiguous, user friendly, front of house service, easily accessible to all students. This is considered necessary in meeting the Ayrshire College aspirations for its learners. Improvements to the Atrium area of the Riverside building are also planned which will provide furniture and social learning spaces.

- The existing Hospitality facilities at the Dam Park Building are old and do not meet the aspirations contained in the CDP nor the requirements of employers. There is a need to upgrade these facilities to provide learners with a state of the art learning opportunity which will adequately prepare the students for what they can expect to experience in industry and will also meet employer needs. In addition, in order to provide for the appropriate visibility and accessibility, the proposal is to relocate Hospitality provision from the Dam Park Building to the Riverside Building, which will incorporate a high quality training kitchen, a demonstration kitchen and a training restaurant with a capacity to seat 60. The existing Hospitality area will then be refurbished for use by Health and Social Care and Social Science. In line with this, the programme also encompasses proposals for a significant development at Kilwinning which would provide a training kitchen, demonstration areas and a training restaurant. Hospitality provision has been assessed as a key sector for Ayrshire and the development of a curriculum portfolio in this area has been welcomed by key stakeholders and partners.

- It is the intention to base the Business Development Function in Ayr. The proposal is for an upgrade of existing facilities and environment by creating a business development suite with a modern delivery area for short courses to be utilised by the curriculum, business development and external organisations. This project will be a significant asset to the College which will benefit both our employer engagement and business solutions strategies.

- A major aspect of the proposals is a significant investment in the improvement and replacement of ICT equipment at Ayr, Kilmarnock and Kilwinning Campuses. This is in part driven by the CDP and the move of some computing courses to Kilwinning and also the urgent need to replace ageing equipment for Students, the focus this current year particularly has been at the Kilwinning Campus. In addition, ICT infrastructure projects and the purchase of laptops for Staff administration and learning and teaching activities were integral to the priorities established for 2014-15.

- Further significant investment is proposed to bring new learner services, student funding and Hive area activities to the Kilwinning Campus. The proposals will improve accessibility and visibility of functions for students and provide a level of consistency for Student Services across the three main campuses. It will also create a Hive area at Kilwinning similar to the facility which currently exists at Kilmarnock. This type of provision is currently lacking within North Ayrshire and a curriculum portfolio being delivered in this area has been welcomed by key partners including North Ayrshire Council.

Members discussed the above paper and the introduction from M Breen. It was noted that the total proposals for a capital expenditure of £5.5 million represented entirely new activity, with no legacy spending commitments included. A lengthy discussion ensued which covered the proposals in their entirety. Members agreed that the scope and timing of the proposals were indeed ambitious and questioned various aspects of the spending plans in detail. In general terms the Committee was satisfied that the proposed programme was required to permit the fulfilment of the CDP and were supportive of the proposals. However, it was felt that before the proposals were considered by the Finance Committee in March, more emphasis and detail would be required on how the proposals flow directly from the CDP for academic year 2014-15.

In particular, members were of the view that an enhanced rationale to underpin the proposed spending related to ICT equipment was required. While it was recognised that direct comparisons cannot be made between industry and educational requirements, members questioned the large ICT replacement programme and associated costs contained within the proposals. M Breen and D Baird explained that the budget being proposed was in line with annual capital budgets at both Kilmarnock and Ayr Colleges scaled up for the Kilwinning Campuses of the former James Watt College. M Breen noted that much of the equipment inherited was aged, particularly that contained within the Kilwinning Campus. The labs and the other replacements contained within the programme could not adequately meet the requirements of the CDP and the replacement of the computing equipment across all Ayrshire Campuses was considered a priority. In noting this, members felt that this position had to be adequately explained as a part of the proposals presented for consideration by the Finance Committee. Depreciation and amortisation figures should be included, particularly for audit purposes, to demonstrate the priority need for the replacement equipment. M Breen explained that capitalisation and depreciation policies differed across the legacy Colleges. M Breen noted the strategic intention is to replace all computers/laptops over 4 years. M Breen also explained that ICT equipment would be depreciated over 4 years. Having completed the capital replacements required by this plan, a rolling replacement plan could then be put in place for the future which would allow ICT equipment to be replaced within the framework of a planned cycle.

It was noted that the current position is not about refreshing but resetting to set an Ayrshire College benchmark.

Given the size and timeframes Members questioned the current capacity to manage these Projects within the College. M Breen explained that a Project Officer would be recruited to support the Director of Estates. M Breen also explained that other Staff within the College would be able to help support individual projects. In reference to questions around timeframes it was noted that these were challenging given the college year. However, options exist to allow some flexibility with one example being course start dates being planned to start a few weeks later.

Some discussion took place following a question, raised by Ian Craig and presented by the Chair, around the relative responsibilities of this committee and the Finance committee. It was confirmed that the Estates Committee have the strategic overview and responsibility "for discussing and approving the annual capital expenditure programme and large capital projects". It is the responsibility of the Finance Committee to consider the "financial impact and affordability of the Capital programme and make recommendations to the Board concerning capital investments and capital allocations".

The Committee agreed that the document should clearly demonstrate that the proposed programme is designed to deliver the strategic direction and intent of the College to meet learner and employer led demand. While the presentation of figures is important, the CDP drivers should precede them. However, the paper presented to the Finance Committee must also demonstrate clearly the sources of funding for the programme, including Foundation requests.

Action: M Breen incorporate Committee comments in line with the above discussion prior to presentation to the Finance Committee. In particular the revised paper should draw out the following:

- **An explanation of the urgency attached to these proposals in terms of the expectations of stakeholders, the timing in relation to the new build in Kilmarnock and the window of opportunity that exists.**
- **An increased emphasis on explaining that the CDP is the driver of these proposals, designed to meet learner and employer led demand.**

- **That the Hospitality related proposals are designed to create a Centre of Excellence which meets industry employability standards and the needs of learners.**
- **The Learner Support aspects of the proposals.**
- **The Health and Safety and other aspects of the proposals.**
- **Fuller details on the ICT proposals including the requirements in relation to ICT equipment and the rationale of the replacement of computers and laptops over 4 years in line with depreciation policies for equipment**

Action: Subject to completion of the above revisions, the above proposals be approved to go forward for consideration by the Finance Committee at its meeting on 13 March 2014.

6 New Campus Development

6.1 Non NPD Costs Financial Report as at December 2013 (Paper 6)

M Breen reminded members that SFC in May 2012 had made available a capital grant of £5.12 million for the New Campus Project to fund costs outwith the scope of the NPD model. This paper seeks to formally record the costs to date of £circa 922K split over the financial years 2011/12 – 2013/14. The College will review the remaining £4.2 million of expenditure with SFC in terms of expected drawdowns and the potential reallocation of the funding remaining for Abnormal Site Costs of £560K.

Members noted the contents of this report.

6.2 Planning Strategy Update (Paper 7)

E Mackin reported that C3 were appointed as the Preferred Bidder on 1 November 2013 and met immediately with the Project Team and East Ayrshire Council (EAC) Planning to discuss the process for taking forward the planning application. The format of the application being submitted to discharge the conditions detailed within the Planning Permission in Principle granted on 16 May 2013 has been agreed. The application will be submitted to discharge 10 of the 12 conditions, with the remaining 2 conditions being carried forward. These conditions relate to:

- Providing EAC Planning with evidence that the remediation work has been carried out to address any issues raised as part of the ground investigations work.
- Provision of Public Art.

The first point requires the Contractor to be on site and the second to permit consultation and input from the students to ensure the public arts is relevant.

The final application was submitted on 13 December 2013. In light of the desire to conclude this process before the end of the financial year on 31 March, EAC has convened a special meeting of the Planning Committee on 7 March to consider the application.

The Committee noted the content of the paper.

The Committee noted their appreciation of the continuing support of East Ayrshire Council including convening a special meeting of the Planning Committee be recorded.

6.3 Site Strategy Update (Paper 8)

E Mackin reported that the land transfer from Diageo to Ayrshire College is scheduled to take place on 28 February 2014 (3 days following this meeting) at the nominal cost of £1. All legal aspects of the transfer have been agreed and the elected date of transfer will ensure that the College is in possession of the land before moving to Financial Close. The transfer agreement to take the land pre-financial close includes protection for the College in the event that the site cannot be developed by the longstop date contained within the contract. In that situation, land ownership would revert back to Diageo leaving the College no further responsibilities or obligations for the site.

Following transfer, site fencing will be erected around the division of the College land from the larger site and, given the importance and prominence of the site, the possibility of all site hoardings being imprinted with images of the new campus or similar murals is being actively considered by the Building Contractor.

Discussions have also taken place with the Scottish Futures Trust with a view to obtaining additional funding to assist in the marketing of the current Holehouse Road Campus. M Breen explained that it is important to proceed with the planning for this now, and not to wait until the migration to the New Campus has been completed. M Breen also noted that the College in its DP2A business case had stated that the existing buildings should be demolished and projected receipts were shown net of demolition costs.

The Committee noted the contents of the Paper.

6.4 Funding Strategy Update (Paper 9)

E Mackin confirmed that the funding strategy continues to be developed in line with guidance advice and support from the Scottish Futures Trust (SFT). Members noted that following the appointment of C3 as the Preferred Bidder, C3, SFT, PWC and Shepherd and Wedderburn had met to discuss and agree the Funding Strategy for the Project. It was noted that the College, while party to the discussions, have no authority in the appointment of the funder. The funding appointment is the responsibility of C3 while SFT are responsible for ensuring that the appointment represents value for money for the Public Sector. The market was approached by C3 to obtain indicative terms and both traditional banks and institutional investors expressed an interest. Following a funding competition C3 appointed Aviva as the funder for the Project. This view was shared by SFT and the College. Further consideration in relation to the *"composite trade"* tax treatment is currently ongoing. An application for composite tax treatment clearance has been lodged, and HMRC are expected to take a decision on its applicability. A positive decision by HMRC would result in reduced annual service payments for the Project, a benefit that would flow back to the Public Sector and not the College directly. However, it has been agreed that whilst pursing this clearance the base case financial model will run on the assumption that a capital allowance model is adopted which is the traditional structure for these Projects.

The Chair noted a typographical error and asked that in section 2 paragraph 6 *"Scottish Independence"* be amended to read *Scottish Independence Referendum* in line with the intended meaning of the sentence.

The Committee commended the above report and thanked the Project Team for its production.

The Committee noted the updated funding strategy.

6.5 New Campus Risk Register (Paper 10)

The Committee considered the updated Risk Register (V10 at February 2014) as presented. It was noted that as the Project proceeds to the next stage i.e. construction as opposed to procurement the detailed risks within the Risk Register will change accordingly. Some current risks will close while others will be added.

Action: Following Financial Close, the Project Team close off the current Risk Register and open a new one which reflects the next phase of the Project.

The Estates and New Campus Development Committee considered, discussed and approved the New Campus Risk Register (V10) at February 2014.

6.6 Strategic Development Programme (Paper 11)

Members were reminded that the Strategic Development programme represents a key control measure to assess the progress and completion of key milestones over the project stages.

The programme is extremely detailed and for the purpose of this consideration reflects the main dates of *Preferred Bidder Announcement; Financial Close and Completion Date*. The Preferred Bidder, C3, was announced on schedule on 31 October 2013. Financial Close has slipped slightly from mid-February and is now expected in mid-March. The Project Completion Date of January 2016 is still on schedule. The Committee noted that the timing of the Financial Close can never be scheduled precisely because of the number of variables and the number of different parties who must complete and agree prior to signature e.g.

legal and commercial. The technical and legal work streams are moving ahead satisfactorily and all parties are now working towards the mid-March target for close.

The Committee noted the contents of the report.

6.7 SFC/SFT Approvals to Financial Close (Paper 12)

This paper set out what has to be done to fulfil the approval process for Financial Close. Eileen Mackin informed members that the Project Team will prepare an update of this document for consideration by the Board of Management at their meeting on 6 March 2013. The update will include SFC/SFT approval processes and key affordability parameters. It was noted that the NPD process did not anticipate any material changes and the figures previously provided should not be materially different.

Given the uncertainty surrounding the precise date of Financial Close, (as outlined above), the College requires to plan the approach to allow them to have in place the necessary internal approvals to allow the Contract to be signed on the day of Financial Close. It was therefore proposed that delegated authority be granted to the Chair and the Principal to sign all necessary documentation. In addition it is also important to ensure that appropriate alternative signatories are available. In this regard it was proposed that the Vice Chair of the Board of Management and the Vice Principal, Corporate Services (Project Sponsor) are also granted delegated authority.

As an update to the above paper Eileen Mackin reported that SFT has completed the Pre-Financial Close Key Stage Review and has approved the process with eight minor recommendations. In addition, the Scottish Funding Council has recommended approval to the Scottish Ministers on the basis of the Decision Point 4 Report (DP4 Report). The response from the Scottish Ministers is now awaited.

The Committee noted the update to the approvals process and warmly congratulated M Breen and E Mackin on the progress achieved and their work in ensuring SFT and SFC approval of the Project to proceed to Financial Close.

Action: The proposed appropriate delegated authority to the Principal and Chief Executive Officer and the Chair of the Board of Management, with Vice Chair of the Board of Management and the Vice Principal, Corporate Services as alternative signatories, to sign the Financial Close documents on behalf of the College be supported and recommended for approval by the Board of Management.

6.8 Project Team Structure (Paper 13)

The Committee noted and supported the proposal contained within the paper to move to a revised Project Team structure with additional technical focus for the next phase of the Project i.e. construction. In so doing it, Members thanked the current Project Team for their efforts in ensuring that the Project had successfully negotiated the procurement phase which will end at financial close.

The Estates and New Campus Development Committee approved the revised Project Team Structure presented in Paper 13.

7 Date of Next Meeting

Tuesday 10 June 2014, 5.30 pm at Kilwinning Campus.

Signed by the Chair ____________________________________

Date: 10.06.14