

**BRIGHTON HOVE AND SUSSEX SIXTH FORM COLLEGE**

**MINUTES OF THE MEETING OF THE FINANCE & GENERAL PURPOSES  
COMMITTEE HELD ON THURSDAY 24<sup>th</sup> MAY 2007  
IN THE SPORTS CENTRE CAFÉ**

Present: Dominic Blythe, Peter Freeman, Howard Kidd (Chair) and Chris Thomson.

In Attendance: Anne Fielding Smith, Jutta Knapp, Louise Pennington and **SAM (Student Governor elect)** (observer), Richard Hopkinson (NEA) and Mel Manku (Tribal, project manager).

The Meeting was quorate.

	<b>ACTION</b>
<b>1. Apologies and Welcomes</b>	
Altaf Razak & Chris Wellings.	
<b>2. a) Minutes of the Finance &amp; General Purposes Committee held on 13<sup>th</sup> March 2007</b> The minutes were approved and signed by the Chair as a correct record of the meeting.	<b>FILE</b>
<b>b) Minutes of the Premise Group – 23<sup>rd</sup> April 2007</b> The minutes were noted.	
<b>3. Matters Arising</b> There were no matters arising.	
<b>4. Capital Application in Principal (AiP)</b> JHK presented the paper to the Committee and the following points were recorded: a) The 3 main parts of the AiP form the paper, namely the	

Project Proposal, Form A Application for Capital Project Grant Support and the 10 year Financial Forecast, owing to the size of the overall documentation.

- b) The Education Case (part of the Project Proposal) has already been approved in draft by the Corporation via Q & C Committee and the Property Case has been considered too via the Property Strategy.
- c) RH gave a summary of work to date: The capital application process commenced in 2004 and in the last year, NEA has worked closely with SMT to deal with the detailed project application, including time spent with MPB to ensure that the education case and property case reflect the College's needs and the LSC requirements. Section A of the Project Proposal gives an overview of the capital project development. Section B, entitled Consistency with Strategic Planning Documents and Priorities, includes the education case. The education case has been subject to extensive consultation with the LSC and the Accord Colleges. The submission has been prepared with named sections corresponding to the LSC's report production to ease their assessment process. Section 3.00 ( c ) Funding, Financing and Project Affordability has been produced by JHK based on the LSC model and summarises these key issues. Section 4.00 gives the investment appraisals, alternative options and project viability. In it's consideration of the project, the LSC will demonstrate the financial difference between the base case of no change, with the whole re-development case and the alternatives, to give a set of qualitative and quantitative analyses . Option 3 is the preferred option for the College. With regard to VAT, uncertainty regarding this remains and the costs have been produced, including VAT in order to be prudent. There is a possibility that there may be some VAT remission (i.e. clarification upon whether the project is classified as a new building or an extension – VAT is liable on an extension). A professional adviser (Deloitte) may be employed to investigate the issues on BHASVIC's behalf. CT advised that FE Sussex were considering a review of the VAT issue on capital projects, on behalf of all Colleges in the area). Risk Management strategies are covered on page 60 of the Report and were produced by NEA in conjunction with MM and 12 scenarios have been demonstrated. Section 5 (page 66) gives a commentary on the reasons behind the College not following a private finance route. Section 6 (F) Space Utilisation – Spread sheet analysis has been used by NEA to demonstrate this, but it was noted that a current space utilisation survey would have been useful to support the application to the LSC. This is unlikely to be an issue in BHASVIC's case, as the College is predicted in its proposals, to be using less space than the normal. Section 7 (G) Project Administration and Control – This section is included

to ensure that there are no oversights and that measures are in place to manage the project efficiently i.e. NEA and Tribal with more appointments to be approved in due course. Section 8 (I) Design, Planning Requirements and Sustainability – Outline planning approval has been submitted to the City Council (13<sup>th</sup> March 2007). The senior planning officer has indicated that the application is likely to receive support and go before the June 2007 planning Committee. Only 2 letters of objection have been received by the Council to date and the Officer has advised that none of the officers have advised of any adverse comments, only minor administration issues. Section 106 payments are under consideration and will require some negotiation on behalf of BHASVIC. These payments are ones required by any major building works, as a contribution to the community e.g. towards the arts (the Council has suggested £60,000) and traffic contributions (the Council has suggested £50,000). It was agreed that a compromise would have to be reached and NEA has asked for justification from the Council for these requests, bearing in mind that the majority of the project is being paid for out of public funds. Section 9 (J) Building Cost and Procurement - Form A (page 78) gives a breakdown of building costs including refurbishments and NEA are required to give 4 comparative analyses to demonstrate to the LSC that the project is competitive. The LSC will compare this to their standard indicators. Details of advisers are also included e.g. Quantity Surveyors. The Principal is required to sign the Form A Declaration on page 91 of the papers. The information given in the appendices supports the proposal.

- d) Following a query from HK, RH confirmed that the NPV for the project had been calculated to be negative and agreed to amend the entry on page 55 of the papers. RH advised that the effect of the project on the College's NPV has been discussed in some detail with the LSC (Martin Morris (Finance) and Isabel Wragg (Property)). HK emphasised to the Committee the importance of the College being able to finance the project long term, noting that historically the LSC preferred not to see significant reserves in a College's accounts, but that sufficient reserves should be maintained to meet the future significant borrowing requirements (capital and interest).
- e) JHK reported to the Committee on the 10 year financial forecast, the contents of which were noted. As the project is due to finish in 2011, it is predicted that a historical cost surplus will be generated. The College's banker has confirmed that there should not be a problem regarding the existing loan, where the reserves are predicted to fall below the agreed £750,000 (which it is predicted to do for a three year period 2010, 2011, 2012, before being replenished after project completion). HK and JHK have had a meeting

RH

RH

with the bank to explain the project finances. The affordability statement (schedule 7 c) – At 90% capital support, it was noted that the College is predicted to return to financial health category A in 2014, 3 years after the project is due to complete. At this point the bank borrowings as a percentage of income is calculated to be 43% (90% capital support model), with an operating surplus of £413,000. Adjustments for inflation have also been included. The Committee was advised that these were only forecast figures, based on current estimates to give an overall trend. The figures may change slightly. Following a query from DB, regarding the scenario whereby the College does not return to financial health category A by 2014, JHK advised that the risk management strategies would be brought into effect. She also confirmed that the figures were re-calculated annually to identify any movement. The three largest risks identified from the College are project cost overrun, reduced student numbers and fluctuation in interest rates. If the first risk listed occurred, the College would have to review the overall project and make adjustments/restrictions as necessary. HK noted the importance of identifying any cost overrun quickly and an annual review of the figures should allow for this. The control of the overall project is assisted by the presence of the project manager and design team (once appointed). The importance of sustaining the predicted income levels was discussed, noting that a small reduction on that predicted (say up to £300,000), would have a significant effect upon the figures given in the forecast. Following a query from DB regarding future LSC funding, JHK advised that she was not aware of any change in funding in the near future and that various government initiatives emphasised the support available in education. CT advised that the College planned to spend more time on marketing the College to the Schools. A contingency allocation has been included in the figures (10%) which will reduce to 5% once the contractors are in place. The contingency allocation may be adjusted at each phase at the point of tender return. The procurement route was agreed to ensure that risk would be transferred as early as possible, subject to market testing (MM). PF queried the interest rate allowance of 6% which has been included within the analysis for the full period of the analysis. JHK explained that this had been set following discussions with HK and the banks and was deemed to be a reasonable assessment. A decision regarding the interest on bank loans necessary for the project will be taken at a later date and may be fixed/variable or mixed – there are numerous options available.

- f) With regard to the property case and page 21 of the papers and following a suggestion from PF, it was resolved that RH should update the document, to include references from the

**MM**

**RH/CT/PF**

<p>last Ofsted report regarding the inadequacy of the buildings and their effect upon teaching and learning. It was also resolved that RH should add a note in the introduction regarding the extent to which BHASVIC currently over-utilises its space (by approximately 17%).</p> <p>g) Page 30 table – RH to amend the table to remove some unnecessary zeros.</p> <p>h) RH/JHK agreed to alter all “principal” to “principle”.</p> <p>The paper was recommended to Corporation for approval, subject to the changes noted above.</p> <p>The Committee passed on its thanks to JHK, RH, MM and HK.</p> <p>RH left the meeting at this point.</p>	<p><b>RH</b></p> <p><b>RH/JHK</b></p> <p><b>JHK/HK/LEP</b></p>
<p><b>5. Design Team Appointment and Associated Risk Period</b></p> <p>JHK and MM presented the paper to the Committee, the contents of which were taken as read and the following points were noted:</p> <ul style="list-style-type: none"> <li>a) It is anticipated that the AiP will be submitted to the National LSC Committee (via the local LSC) for consideration at its September meeting.</li> <li>b) LSC fee support details are given on page 27 – paragraph 2.</li> <li>c) Outline Planning is predicted to be given by the end of June.</li> <li>d) To avoid any delay, as per scenario 1 (page 126), various appointments need to be made asap. Scenario 2 would be based on the appointment of the design team only once the AiP has been approved, which would effect the proposed timetable of the project and almost certainly cause costs to increase.</li> <li>e) It was thought that the College was slightly ahead in its progress compared to the two other Accord Colleges (both are at the stage of appointing a project manager).</li> <li>f) Tribal's recommendation is that scenario 1 is selected. Should the AiP not be approved, then the potential cost to the College would be £240,000 (for phase 1). If all the phases were progressed to Stage D from the outset to allow for co-ordination etc and then designing through Stage E, preceding each phase, this could cost circa £400,000 - £500,000. To date the College has claimed £100,000 iro the LSC fee support, but this could be increased to £250,000 re the AiP, on a matched funding basis. In effect this would halve the exposure of the College's liabilities at he AiP stage. The fee support is taken account of in the final funding position with the LSC.</li> </ul> <p>The Committee agreed to recommend Scenario 1 to the Corporation for approval, based on Tribal's assessment and recommendation.</p>	<p><b>JHK/HK/LEP</b></p>

<p><b>6. Appointment of Design Team</b></p> <p>JHK presented the paper to the Committee, the details of which were noted. Following a review of the proposed fees and the Panel's assessment, it was agreed to recommend to Corporation that the following be appointed:</p> <p>Architects – Nick Evans Architects  Quantity Surveyors – AYH  Structural Engineers – White Young Green  Mechanical and Electrical Engineer – Mott MacDonald</p> <p>It was noted that the fees given in the tables on pages 133-136, were fee percentages of construction costs. Not all the consultants appointed were necessarily the cheapest, but were viewed by the Panel to have the necessary qualities and experiences.</p> <p>JHK agreed to include the figures omitted from part of the table, relating to Mott MacDonald for the paper presented to Corporation.</p> <p>At this point PF left the meeting.</p> <p>The Committee passed on its thanks to MM.</p>	<p>HK/JHK/ LEP</p> <p>JHK</p>
<p><b>7. Any Other Business</b></p> <p>It was resolved that although the June meeting of F &amp; GP normally reviews the 3 year financial forecast, as a 10 year financial forecast had been considered at this meeting, it would not be necessary to present a further forecast at the June meeting.</p>	
<p><b>8. Date of Next Meeting</b></p> <p>Tuesday 26<sup>th</sup> June 2007</p>	

**Louise Pennington**  
**Clerk to the Corporation**

**CHAIR..... DATE.....**