Background

1. Colchester Institute is regarded as a ‘College of Further and Higher Education’; dealing with all levels of the qualification framework, but is determined to focus on vocational education and training combined with the development of skills and employability progression.

2. Its principal site at Sheepen Road, Colchester comprises a selection of buildings of varying age and quality but much of which is outmoded and not up to modern educational standards. The college currently operates from a total estate of 35,202 m² in the following locations:

   - Sheepen Road, Colchester – to be redeveloped 31,230 m²
   - Church Road, Clacton – some refurbishment 2,808 m²
   - Thomas Road, Clacton – leased, no works planned 982 m²

   TOTAL 35,020 m²

3. The main campus is situated in Colchester which itself has relatively high post 16 participation. However, it also serves Tendring, Maldon and Witham and draws a high proportion of learners from Braintree and South Suffolk from where significant growth is anticipated.

4. Essex LSC believes that the college is at a significant point in its development. The current strategic plan ‘Built to Last’ indicates the college is dedicated to growth in both Further and Higher Education and the college has a very clear focus on vocational education and training across the FE/HE divide.

Proposal

5. The college’s proposal involves the substantial redevelopment of the main site located at Sheepen Road, Colchester and the refurbishment of existing accommodation located at Church Road, Clacton. In particular the project:

   - is estimated to cost £61,297,000
   - will require grant support from the LSC of £38,100 (62.2%);
   - will require consent for the college to take on secured borrowing of up to £16,200,000; and
   - could also involve the sale of the college’s surplus land at Gainsford Avenue, Clacton for at least £4.6 million.
6 The project proposal is to redevelop the main Sheepen Road campus. This will involve 20,569 m² of new accommodation, the reconstruction of 7,192 m² of existing 5 story 1960’s blocks, the removal of 22,057 m² of time expired accommodation, and the creation of 20,569 m² of new accommodation. The existing buildings will be completely stripped back to the frame replacing the roof, facades and services contributing to a modern 21st century learning environment.

7 The colleges existing 2,808 m² premises at Church Road Clacton, partially refurbished in 2001, will be retained, although the Clacton Road site will undergo full internal reconfiguration and refurbishment. No works are to be carried out at the Thomas Road site.

Issues

8 In addition to addressing key national priorities the new facilities will address the following key Essex LSC priorities:

- increasing 16 – 18 participation and achievement with a clear focus on priority sectors and client groups;
- increasing the number of learners participating in and achieving recognised Skills for Life qualifications; and
- extending further the LSC’s role in economic development and regeneration to optimise employment and skills opportunities.

9 The college also holds 5.4 hectares of land (former playing fields) at Gainsford Avenue Clacton. The college has entered into an option agreement with Persimmon PLC (December 2005) with a long stop date of December 2009; the commitment of the company is to promote the site for a development allocation through the planning review process and submit a planning application; the minimum value included in the option agreement is £4.6 million. If sales proceeds were obtainable the funding from the Council would reduce by £5 million to £33.1 million, representing a grant rate of 54% instead of 62.2%.

10 Anticipating that obtaining planning consent may take some time the college proposes trying to dispose of the surplus land and to reimburse the LSC eighty per cent of any net proceeds of sale which may arise in the ten years following the approval by the LSC of this in principle project. This would be principally from Gainsford Avenue but also the Sheepen Road campus in recognition that no disposal proceeds have been included in the financing breakdown. Should the disposal situation become more definite by the time of the approval of a detailed proposal then an actual figure would be taken into account in the affordability analysis.

11 The development will be implemented in three phases as follows in table 2 below:
### Works to be completed

<table>
<thead>
<tr>
<th>Works to be completed</th>
<th>Phase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Removal of peripheral buildings and existing building E</td>
<td>1a</td>
</tr>
<tr>
<td>Build new 5 storey tech centre</td>
<td>1b</td>
</tr>
<tr>
<td>Reconstruct existing D block</td>
<td>1b</td>
</tr>
<tr>
<td>Remove existing buildings A</td>
<td>1c</td>
</tr>
<tr>
<td>Remove part of building J</td>
<td>1c</td>
</tr>
<tr>
<td>Build new teaching block and sports hall</td>
<td>2a</td>
</tr>
<tr>
<td>Reconstruct block B</td>
<td>2a</td>
</tr>
<tr>
<td>Remove buildings C, F, G and H</td>
<td>2b</td>
</tr>
<tr>
<td>Build new teaching blocks and multi-purpose hall</td>
<td>3a</td>
</tr>
<tr>
<td>Refurbish Church Road building</td>
<td>3a</td>
</tr>
<tr>
<td>Remove existing buildings J, K, L, LX and Q</td>
<td>3b</td>
</tr>
<tr>
<td>Complete Existing works</td>
<td>3b</td>
</tr>
</tbody>
</table>

12. Phase 1 is targeted to be completed by summer 2008; phase 2 is targeted to be completed by summer 2009 and phase 3 and practical completion is targeted by summer 2010.

13. The Capital Committee noted that Essex LSC expected substantial growth in the Haven Gateway by 2021 which underpinned the college’s growth forecasts. An increase of 50,000 new jobs and over 50,000 new homes are planned under the current East of England plan. In order to support both growth in housing and employment the education system within the sub-region needs to be developed in order to meet the needs of local people and employers. The recent announcement of approval for “Growth Points” status for the sub-region from the Department for Communities and Local Government strengthens the need to ensure exceptional educational facilities within Colchester, Ipswich and the Ports. The development at the Institute of Construction, Engineering and Logistics is vital to support this growth and, if plans are to be realised, the developments within local educational establishments must match the pace of growth in the key sectors of future employment.

14. By the end of 2009 the college would have obtained a long term loan over 25 years of £16.2 million with repayments commencing in 2013. This finance is supplemented by overdraft facilities of circa £4 million and £2 million, in 2009 and 2010 - to support the timing of grants receivable from the LSC. At the time the long term loan is established the borrowing / income ratio is approx 54%. This ratio reduces to 40.3% at the 3rd year following completion of the project – and therefore satisfies affordability requirements of 40% borrowing / ratio for a financial health group A and B college.
Recommendation

15 The Capital Committee agreed to endorse the in principle application from the Colchester Institute for approval by the Council at a rate of 62.2% grant support.

Harrow College – Approval in Principle – 59%

Background

16 Harrow College is a general FE college based in the London Borough of Harrow with two sites: Harrow- on- the- Hill in the town centre and the other three miles to the north of Harrow in the green belt of Harrow Weald. The college is a major provider of academic and education and training to young people and adults within the borough.

17 The curriculum is split between the two campuses – the sixth form centre at Harrow Weald and the Lifelong Learning Centre at Harrow- on-the-Hill where the majority of adult and community education takes place. The College offers a wide curriculum from Foundation to Higher Education. In 2004/05, Harrow College had 2,628 16-18 year old learners and 4,164 19+ LSC FE funded learners. The College also delivers Adult and Community Learning, LearnDirect, School Links Programmes, Increased Flexibility Programmes, Work Based Learning and Entry 2 Employment.

18 Instead of the two sites and 20,936 m$^2$ of premises in 14 buildings of various sizes, age and condition with a substantial forward maintenance and renewal requirement, the college proposes to consolidate on a new campus providing modern facilities that will enhance the quality of teaching; accommodation that is flexible to develop new curriculum areas; a base to develop the Centre of Excellence in Retail and workforce development services to employers and public organisations and a college building that meets the needs of young people, adult and employers.

Proposal

19 The college proposes to:-

- relocate and consolidate into a 27,541 m$^2$ 10 storey building on a single campus site adjacent to the existing Harrow- on- the- Hill Campus; and

- following completion of the new campus dispose of part of the Harrow-on-the-Hill campus as part of a land swap with the London Borough of Harrow and dispose of the remaining Harrow- on- the- Hill campus and the Harrow Weald Campus for development.

20 If implemented the project proposal would include:
• total project expenditure estimated at £78,768,000 (including estimated inflation to the contract date);

• LSC capital support of 59% (£46,717,000);

• long term borrowing of up to £6,201,000;

• work commencing on site during May 2008 for completion by September 2010.

• subject to change of use disposal of Harrow Weald campus at an estimated value of £13.4 million and also the disposal of Harrow on the Hill campus at an estimated value of £14.5 million with overage arrangements that will be presented at the Capital Committee meeting; and

• the purchase of a strip of land from Transport for London at an estimated value of £2.05 million.

**Issues**

21 There are several key elements to the overall strategy including:

• partnership with Harrow schools – the delivery of sixth form provision in school in Harrow is the subject of continuing discussion between London West LSC and the Regional Director and the existing 11-16 schools in Harrow that had originally proposed a new sixth form in every school. This is now the subject of a consultancy review but is not thought to impact on the volume of the college’s largely vocational provision;

• allow the college to maintain existing levels of 4,425 FTEs; and

• curriculum development for work based learning, full cost recovery programmes and E activity.

22 A small growth in learner numbers over a three-year period following completion is projected by the college and supported by the London West LSC. The college’s floor space requirements have risen from the original 20,936 m² up to 27,541 m² to accommodate a predominantly vocational curriculum. Guided learning hours will also increase to accommodate the new curriculum. Total project costs are estimated at £78,761,238 with a request for LSC grant support of £46,717,000 which is 59%.

23 If the proposed Harrow College franchise with local schools goes ahead, then the college plans for an increase of 400 16-18 year olds (franchise plus consolidation) in 2006-07 and a further 400 growth in 2007-08. The College has been awarded growth of 199 16-18 year old learners in 2006-7 for the
franchise. If the modernisation of its premises does not take place then the college predicts a 38% decline in learner numbers over a five year period from 2009/10.

24 The building costs of approximately £2,865 m² are outside of the LSC cost norms due to exceptional abnormal costs of £14,858,666. The main categories of abnormal costs are summarised below:

- substructure – substantial piled foundations, significant slope requiring cut and fill and retaining walls;
- superstructure - 10 storey high building resulting in more complex and expensive cladding and more robust frame;
- fire proofing compartmentation and means of escape requirements are more onerous;
- due to the design and height of the building there will be additional staircases and lifts;
- simple slab block not possible or desirable given designated town centre redevelopment area status – more complex articulation of wings and linking of floors/atrium
- façade needs high level of acoustic attenuation given very close proximity to major railway and roads and also no opening windows; and
- site development issues - parking has to be undercroft, due to nature of site, surface water attenuation needs, new electricity substation required, and allowances for reinforcement of other mains services especially gas.

25 The college’s own utilisation assessment of floor needs indicates that its space utilisation is theoretically good but the existing accommodation is in 14 different inefficient buildings spread out over a wide area on two campuses. The Harrow Weald site is regarded as particularly cramped.

26 The new build will be 10 storeys high on a single site with a space efficiency of 14.33 m² per MNW. It will have to accommodate additional height related requirements including up to 10 percent extra floor space for circulation, means of fire escape and lifts but is otherwise still within the normal space requirements for general FE colleges.

27 Despite the substantial level of abnormal costs involved in relocating to an adjacent site the college believes that there are no other sites that would meet its requirements and that the only real alternative is the modernisation of its existing premises. This would, firstly, provide poorer facilities and longer
term problems in maintaining learner numbers and, secondly, it would not realise the substantial sale proceeds that vacating these sites would generate.

28 The college’s financial analysis was questioned as there was concern that its financing assumptions were too conservative and as a result its borrowing capabilities might have been underestimated. The Capital Committee agreed to set a 50% interim grant support rate and to seek a revised financial analysis from the college.

Recommendation

29 The Capital Committee agreed to endorse the in principle application from Harrow College for approval by the Council at initial preliminary rate of 50% grant support pending the submission of a revised financial case for its consideration in the New Year.

East Durham and Houghall College – Revised Approval in Principle – 65%

Background

20 East Durham and Houghall College currently has three campuses – two sites at Howletch and Burnhope way, Peterlee, extending to 16,250 m² and approximately 4,000 m² at Houghall, Durham.

31 The Peterlee accommodation dates back to the 1960’s, is poorly configured and in very poor condition, requiring major expenditure on repair in order to comply with Health and Safety. It is not economically viable to undertake the required works because of the nature of the buildings. The estate, therefore, has a very limited lifespan and the college believes it has no option but to renew it if it is to remain viable.

32 The college received approval in principal from the Council in June 2005 to rationalise its Peterlee campuses onto a single site at Howletch. The proposal was to construct a building of 12,219 m², demolishing all of the existing buildings at Howletch apart from a sports hall which was to be extended. The existing campus at Burnhope Way is to be vacated and sold to a developer in order to raise a capital receipt, then estimated at £3.7 million to help fund the new scheme. Approval in principal was granted by the National Capital Committee subject to the college coming forward with a further scheme to resolve the space and accommodation issues at Houghall within an agreed timescale. The total cost of the scheme was then estimated at £19,929,000 and a minimum intervention rate of 50% grant support was approved on this figure.

33 Since its Property Strategy was produced the college has completed a feasibility study into the development of both Howletch and Burnhope Way. Following discussions with the local LSC it has been agreed that the most favourable option is a wholesale relocation to Howletch. Howletch is able to
offer the most expansive site area to combine a new facility and incorporate the significant sports provision that is offered by the college. In view of the significant changes to the proposed size of the scheme and abnormal costs not previously identified cost, the college was asked to submit a revised in principle application. As a result of these changes a more comprehensive analysis of space requirements has subsequently been undertaken which has identified an additional need of approx. 2500 m², not included within the original application.

34 In view of the significant changes to the size and cost of the scheme the college has been asked to submit a revised AiP proposal for consideration.

Proposal

35 The college’s revised proposal is to build a new 14,728 m² building on the site at Howletch, Peterlee, to include an extension to an existing sports hall of which approximately 1500 m² is to be retained. This will replace the existing facilities at both Howletch and Burnhope Way sites and all of these buildings, apart from the sports hall and more recent sports changing block, will be vacated and demolished. Apart from the increase in size from 12,219 m² to 14,728 m² the revised scheme is essentially the same as has previously been approved by the Council. But the estimated cost of the scheme rises from £19,929,000 to £30,648,000 summarised as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main new build cost</td>
<td>£27,994,000</td>
</tr>
<tr>
<td>Refurbishment cost</td>
<td>£97,707</td>
</tr>
<tr>
<td>Abnormal Costs</td>
<td>£2,654,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>£30,648,000</strong></td>
</tr>
</tbody>
</table>

36 If approved the college anticipates that the project proposal will be funded as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>LSC Grant</td>
<td>£19,921,000 (65%)</td>
</tr>
<tr>
<td>Disposal receipt</td>
<td>£2,452,000 (minimum anticipated)</td>
</tr>
<tr>
<td>Long Term Borrowing</td>
<td>£8,275,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>£30,648,000</strong></td>
</tr>
</tbody>
</table>

Issues

37 The revised scheme represents an increase in cost of £10,719,000 (approx. 54%) of which £5.2 million (approx. 49%) is attributable to the increased size of the building. The balance is attributable to abnormal costs, approx. £2.65 million as explained below, design improvements which include façade enhancements and a central atrium, sustainable design improvements primarily so as to comply with Building Regulations Part L and building cost inflation over the last 18 months – The BCIS location factor allowance for
Durham has changed from .93 to .98 over the same period and this alone accounts for a £1 million (5%) increase in costs. The building costs are within LSC guidelines when appropriate allowances have been made in respect of the abnormal costs.

38 The project is intended to address the key issue in East Durham of the migration of students outside of the area because of the existing poor facilities and targeting reductions in the 16-18 NEET population which extends to 23.1% of the population, far in excess of the national average. The college is working with key partners to implement several educational strategies in order to improve local participation and this is a key strategy which the local LSC wishes to support.

39 The project proposal, if implemented, will result in a significant improvement in the college’s space utilisation from 21 m² per MNW at present to around 15.9 m² post project completion, primarily achieved through the level of anticipated growth in student numbers and GLH provision. But on completion of the scheme the college will still be around 2000 m² over spaced and it will need to reduce the size of its Houghall campus to around 2000 m² in order to comply with the Council’s space requirements. The college has confirmed that this is feasible but they are also considering a range of options to further develop its Houghall campus and it is anticipated that a further proposal will be coming forward for consideration outlining this second phase of their estates strategy within the next 12 months. A condition of the Council’s approval should require the college to address the space utilisation and property issues at Houghall, thereby ensuring the whole estate is within current LSC guidelines.

40 The college had requested 70% grant support. A detailed financial analysis has been undertaken by the regional finance team and this has resulted in a consensus that a rate of intervention of 65% would be appropriate. This equates to around 30% of projected turnover three years post completion which is at the lower end of what the Council would anticipate. However, modelling at 60% intervention would give borrowing at around 40% of turnover three years post completion, if the college was to maintain a healthy cash balance of 25 days, which the regional finance team considers (given that the project is based on significant growth) would be too high a risk for the college and would not enable it to meet the Council’s usual financial health criteria post completion.

41 The site at Burnhope Way extends to approx. 5.3 acres and following receipt of outline development consents earlier this year has been marketed for sale. A preferred developer has been appointed and a residential scheme is proposed. The scheme also provides for renewal of the existing public library which comprises part of the existing College campus building. But the net capital receipt for Burnhope Way is dependent upon a satisfactory agreement between the appointed developer and English Partnerships with regard to enforcement of covenants tied to the land in favour of English Partnerships which require design enhancements and highway infrastructure
works to be undertaken. If the covenants are enforced this could result in the College receiving a reduced capital receipt of £2,452,000 and this is the basis on which the affordability analysis has been undertaken. The covenants were however entered into in 1958 and their enforceability is now questionable and the college has had interest from another developer which would suggest that they could benefit from a capital receipt of approximately £4 million, in which case the level of LSC grant would be reduced accordingly to around 60%. This issue would have to be resolved by the time the proposal is considered in detail.

42 The proposed development has abnormal costs estimated at approximately £2.65 million. These include demolition and asbestos removal, relocation of an all weather sports pitch, additional excavation and fill required because of the sloping topography of the site and a requirement for piled foundations. Sustainability items of approximately £230,000 are also included and these provide for ground source heat pumps, rainwater attenuation, biomass boilers and solar water heating. The gross and net development costs are however within LSC guidelines when appropriate allowances are made in respect of the abnormal costs.

Recommendation

43 The Capital Committee is recommended to endorse the in principle application from East Durham and Houghall College for approval by the Council at a rate of 65% grant support.

Property Services
Resources Group
November 2006