



**MINUTES OF THE MEETING OF THE CAPITAL PROJECTS COMMITTEE HELD
ON FRIDAY 23 JULY 2010
ROOM LC8, CHESTER CAMPUS**

PRESENT:	Bill Benoy Neil Blake Philip Martin Martin Seed	Independent Member Independent Member Independent Member Business Member
IN ATTENDANCE:	Richard Hinde Penny Horsefield Gary Hyde Steve Reddin	Clerk to the Corporation Deputy Principal Manager Finance AA Projects

The meeting started at 9.20am.

1 APOLOGIES

Apologies were received from Barry Hodges-White and Sara Mogel.

2 DECLARATIONS OF INTEREST

Members were reminded to declare any interest they may have in relation to agenda items. None were declared.

**3 MINUTES OF THE MEETING OF THE CAPITAL PROJECTS COMMITTEE
HELD ON 18 JUNE 2010 AND ANY MATTERS ARISING**

The minutes were agreed as a true and correct record and were signed by the Chair. As a matter arising, the Deputy Principal reported that she had contacted Santander to clarify the position relating to AA Projects' retention by Santander to provide progress reports against the College's drawdown. To date no response had been received. A further meeting in this regard had taken place between Santander and AA Projects but the Deputy Principal was not aware of the outcome. The College had not yet paid any invoices in this regard pending clarification of the issue. It was confirmed that AA Projects were still providing a separate report to Santander, although much was the same as the reports provided to the Committee. It was acknowledged that if the reports were being provided to Santander on a quarterly, rather than monthly, basis, a corresponding reduction in the fees payable would be anticipated.

In relation to the Greenbank site, the Deputy Principal confirmed that she had written to the interested parties as resolved by the Committee at its last meeting. Two of those interested parties had confirmed that they were still interested in the property and no response had yet been received from the third. Discussions took place about any potential risks involved in retaining the

property and it was confirmed that annual insurance and maintenance costs amounted to between £10,000 and £15,000.

(Steve Reddin joined the meeting at 9.35am.)

The decision of the Committee at its last meeting, to review the situation in six months' time from then, was acknowledged.

4 CAPITAL PROJECT – PROGRESS REPORT

Steve Reddin of AA Projects presented the report updating on progress to date with regard to the College's capital project.

With regard to the programme, it was explained that BAM had now reported a delay of two weeks and three days at Handbridge and a delay of one week at Ellesmere Port. This represented a further slippage at Handbridge of one week and one day. Discussion took place about the reasons for this and it was noted that BAM had placed much of the responsibility on sub-contractors. Mr Reddin explained that the Compliance Team, recently established by the College and AA Projects, was in the process of carrying out a review of exactly what the current position was. BAM would then be required to explain how it intended to address any delays identified. AA Projects and the College had raised concerns about progress at every level within BAM, including with Richard Bailey (a senior director from BAM's parent company), with particular concern about the standard of the company's management control and reporting.

In relation to project costs, it was reported that as of 16 July 2010, anticipated expenditure was forecast to be £63,395,842 against the project budget of £63,407,168. AA Projects continued to carry out valuations on a monthly basis with the latest interim certificates having been issued for June recommending the amount due for payment by the College to the contractor on the basis of the works carried out.

With the Handbridge Campus, it was reported that the roof works had been largely completed and works to the façade continued. The building was not expected to be fully weather-tight until early August 2010. Mains electrical power on was scheduled for early August 2010. Roof plant items were scheduled for installation in mid-August 2010. Mechanical and Electrical and IBT first fix works were progressing on site, and Factory Acceptance Tests in relation to the IBT package of works had progressed successfully during the month (as had also been the case at the Ellesmere Port site). The assembly of internal walls was ongoing. It was noted that the College continued to manage the fit-out process, and tenders for loose furniture were due to be issued that day.

With the Ellesmere Port Campus, it was reported that the external cladding and roofing works were ongoing, and the Mechanical and Electrical first fix works were progressing on site. Gallagher Construction had commenced the external site drainage works, which were scheduled for completion on 13 August 2010. BAM had submitted a planning application for a new sub-station, and

discussions between the College's legal advisers and the electric company were in hand in relation to the existing way-leave agreement.

It was reported that Ross Quality Control had been appointed by the College for the provision of Clerk of Works services at both sites. The College and AA Projects had established a Compliance Team which would ensure that the Clerk of Works worked closely with the College's other retained consultants to ensure quality, compliance and functionality with the project, particularly in relation to IBT.

It was noted that the College, including the Principal, continued to have regular monthly meetings with Richard Bailey to raise issues which the on-site BAM team had failed to address in a timely way. The most recent of these had been on 9 July 2010, at which the College had made its concerns very clear, particularly in relation to BAM's reactive approach at Handbridge and the further slippage. Following that meeting, a further meeting was arranged for 16 July 2010 which was attended by the Deputy Principal and Mr Reddin. The aim of that meeting had been to try to resolve the concerns previously raised in the expectation that BAM would have prepared an explanation of how they intended to address these issues. This had not been the case and BAM had instead reported that a recently-appointed member of their team, the M&E Co-ordinator, had resigned. A further meeting held in the current week had produced little progress. Mr Reddin explained that at the current time, he anticipated that the Handbridge building would be handed over to the College one month later than scheduled. Mr Reddin's advice was that the key issue was to ensure that BAM delivered the project to the required standard, rather than for them to rush completion at the end and for the College to be left with a sub-standard building. This was particularly so in view of the complexity of the IBT works. If the project was delivered later than programme, at that point the College would still owe further payments to BAM which could possibly be used in negotiating some settlement. The College would also be free to claim liquidated damages. Mr Reddin stated that the position was not irrecoverable, but if BAM didn't react appropriately very soon, it could be.

It was reported that earlier in the week a letter had been sent in the Principal's name to Richard Bailey stating how disappointed and concerned she was with the situation. Further discussion then took place in relation to key members of the BAM team and concerns about their competence and performance.

The Deputy Principal reported that Honeywell had made the College aware of a technology known as Ultra wide Band (UWB) that would provide an improved solution for the College in the way it tracked staff and students. The College had investigated this technology and was keen to adopt it because of the significant benefits it would bring - mainly being greater accuracy and significantly lower on-going revenue costs - although the additional cost to the project was likely to be around £500,000. It was explained that to take this forward, the College would need to instruct a change to the contract with BAM. It was further explained that such instructions always carried some risk, mainly in relation to the successful delivery of the client's changed requirements and the possible impact on programme. However, the College had now been advised by BAM

that such a change would not cause any delay to the planned programme provided that the Committee issued the instruction for the variation – and BAM placed the order with the manufacturer - that day. It was explained that the cost of proceeding with this technology was able to be covered by the project contingency fund which currently stood at approximately £1 million. It was explained that this proposed UWB technology was intended to replace the RFID tag system which was already budgeted for in the project. Both systems were used for tracking staff and students and managing resources but the RFID technology was more limited. Not only was the UWB system more accurate but it also provided much improved flexibility in the way the information could be used. With the RFID system the battery tags were bulky and lasted for approximately twelve months whereas the UWB tags were more streamlined and would last for approximately five years. It was for this reason that although the initial capital costs were greater, the on-going revenue costs would be less. There would also be associated savings in terms of manpower requirements.

Members queried why the UWB system had not been provided for before in the project, and why they hadn't previously been made aware that this new system was under consideration. Members were also very concerned when some time into the discussion it became clear that they were now required to make a final decision on the new technology immediately- the AA Projects report prepared for the meeting merely stated that governors were asked to agree to some further work in evaluating the benefits. Members also sought further explanation of the anticipated cost savings and expressed concern that a more comprehensive cost-benefit analysis had not been provided. Members requested that they should be provided with this further analysis in writing after the meeting.

It was explained that at the time of the final Application in Detail, the system had not been licensed within the UK for this use. The issue hadn't been raised with Members previously because the College had been in discussions with Honeywell and BAM and awaiting feedback, and there had been nothing tangible to report. It was only in the recent past that matters had crystalised and confirmation of the tight timeframe had been provided.

Members queried whether BAM would definitely not now be able to claim that the delay in completion was due to the installation of this system. Mr Reddin explained that there was no categorical guarantee but that the College had done all that it could to protect itself in making this contract variation request to BAM and in placing reliance on BAM's response. The previous evening, BAM had confirmed that the inclusion of the UWB system would not result in any extra costs (other than their standard 7% mark-up which had already been taken account of in the proposed costs) and that there would be no impact on the programme if the order for the system was placed today. It was confirmed that it was not possible to wait for the building to be completed before commissioning this UWB system because it was such an integral part of the whole project. The Manager Finance explained that the costs of the tags under the RFID system would have been revenue costs, whereas the UWB tags would be capitalised. This would be of benefit to the College's Income and Expenditure account.

Members again expressed dissatisfaction at the way this proposal had been presented to the committee and the process followed - they felt that they were being 'bounced' into a decision. In particular, it was made clear that Members expected to be kept fully informed and to be told as soon as possible when any significant issues such as this first became known or to be considered. Members also expected to be provided with adequate financial analysis to enable them to make a fully informed decision.

Members then voted on the recommendation put forward. On the strength of the assurances provided and the commitment to provide a full cost-benefit analysis after the meeting - and in the perceived best long-term interests of the College – the proposal was accepted by three votes to one, Philip Martin dissenting.

RESOLVED (CPC 04/10):

The Capital Projects Committee resolved:

- a) to note the progress report on the College's capital project; and**
- b) to authorise the College to instruct a change to the project contract with BAM, relating to the installation of the Ultra Wide Band (UWB) system, subject to the immediate provision to Members of further cost-benefit analysis.**

5 DATE OF NEXT MEETING

Friday 27 August 2010 at 9.15am, at the Chester Campus. It was agreed that this would be followed by a tour of the Chester Campus by Members of the Committee.

The meeting ended at 11.00am.

Richard Hinde
Clerk to the Corporation

Signed:.....(Chair)

Date:.....