

# THE CORPORATION OF WALTHAM FOREST COLLEGE

28 SEPTEMBER 2015

## PROPERTY UPDATE

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### PURPOSE OF REPORT

1. This report updates the Corporation on a number of property related matters:
  - Heart of the College phases 2, 3 and 4
  - Further Education College Condition fund grant
  - Summer 2015 capital works programme
  - Lockwood Way Units 1 and 10
  - Capital grant application to the London Enterprise Panel (LEP) for the Science, Technology, Engineering & Mathematics (STEM) Centre
  - Sub-letting of Uplands House
2. The Corporation is also asked to:
  - approve capital spend of £85k on a replacement lift in the Lowery Centre as the current lift has reached the end of its life and it is not cost effective to repair
  - agree a strategy for potentially disposing of land adjacent to Spruce Hills Road

### HEART OF THE COLLEGE PHASE 4

3. The HoC4 project is now largely completed. The College took occupation of the refurbished first floor east corridor at the end of July 2015 and the new Creative Industries Centre at the end of August. The new passenger lift is due for completion at the end of September.
4. Although, as previously reported, there have been some programme delays, the College has worked closely with our contractors, R G Carter, to ensure that the facilities were available for students at the beginning of term. There are still some snagging items to resolve but generally the building has been completed to a high quality and the initial response of users has been very positive. Corporation members are invited to visit the new building before the meeting on 28 September.
5. The College has agreed an indicative final contract price with R G Carter of £6.650 million for the whole of HoC4; there may be some minor savings when everything is completed. In addition R G Carter have agreed to pay the extra removal and security costs which the College has had to incur due to the slight programme delays. The overall cost of the project is projected to be £9.926 million which represents a £38k overspend (0.4%) against the budget. These costs can be funded from within the College's own 2015/16 capital budget. £9.888 million of the costs have been funded from SFA capital grant.

### HEART OF THE COLLEGE PHASE 3

6. This project is almost entirely complete. The Lowery Centre refurbishment was completed in September 2014 and the boiler room works were completed in spring 2015. The only remaining element of work is to commission the Combined Heat & Power system. This requires the College to receive formal authority from UK Power to allow us to now generate our own electricity. We are awaiting this confirmation.

7. As previously reported to Corporation there was a small overspend on this project with the final cost being £3.922 million against a budget of £3.900 million. The College received SFA capital grant of £2.600 million for this project, the balance being funded by College reserves.

## **HEART OF THE COLLEGE PHASE 2**

8. This project was completed in September 2013. Since then the College has been working with the contractor, Hutton, to resolve defects with the front steps, the market place entrance door and the butchery counter. These works were formally concluded in August 2015 and the balance of the retention funds paid over to Hutton.
9. The total cost of the project was £4.922 million of which £1.600 million was funded by SFA capital grant and £3.322 million from College reserves.
10. The SFA requires colleges to complete a post occupation review for all projects which receive capital grant. We submitted the HoC2 review in July and a copy of this can be found on the Corporation SharePoint site.

## **FURTHER EDUCATION CAPITAL CONDITION GRANT (FECC)**

11. The College received £520k FECC grant from the SFA in spring 2014. The College had to match fund this grant with £260k of our own money. The programme of works funded by this £780k has now been completed. Most of the funds were expended in summer 2014 on full refurbishments on the third floor (west) of the Forest Road building including new IT rooms, a new on-line exams rooms, classrooms and staff rooms. The funds have also been utilised for roof works, to replace windows in the east quad which were not funded by HoC4, to remove asbestos, for extra works in the boiler room not covered by HoC3 and on improvements to the cabling, electrical and alarms infrastructure.

## **SUMMER 2015 CAPITAL WORKS**

12. At the meeting on 15 June the Corporation approved a programme of capital works to be undertaken in summer and autumn 2015. The budget is £500k of which £127k is being funded by an SFA capital allocation which we, like all colleges, received in March 2015.
13. Progress in implementing the capital works has been largely to programme and the current position is as follows:

Relocation of electrical installation provision from Lockwood Way Unit 1 to Forest Road	Completed
Consolidation of motorcycle and motor vehicle provision at Priestley Way to allow the College to vacate Lockwood Way Unit 10	Completed
Refurbished reception area	Reception desk refurbished
Access control system and barriers	To be undertaken in October half term; barriers have been ordered
Improved external security	Completed
Internal and external signage	Target completion by October half term

14. One additional project has been identified over the summer. The Lowery lift (which was not part of the HoC3 refurbishment project) has reached the end of its useful life and is not usable. It is considered not to be cost effective to repair (estimated cost £45k) and it is proposed to install a new lift at an estimated cost of £85k. There are no savings available in the approved capital programme, unless one of the yet to be completed projects is delayed or reduced in scale. The new lift will therefore have to be funded from College reserves and this will have to be managed carefully given the tightness of the College's cashflow.

## **LOCKWOOD WAY UNITS 1 AND 10**

15. The College has now vacated these two satellite sites and is in discussion with the Council, the lessor, about an early termination of our leases. The Unit 1 lease is £70k per annum and terminates in May 2016; the Unit 10 lease is £33.5k and terminates in March 2017. The College has previously held positive discussions with the borough about an early release

from the leases and our 15/16 budget assumes that both leases cease by 30 November generating a rental saving of £70k.

16. The College has met with borough officials about terminating the leases and we are still receiving a positive response though as yet no specific proposals. Some modest dilapidation costs may need to be incurred when we vacate the units. It is anticipated that a verbal update can be given to the Corporation on 28 September.

## **APPLICATION TO LEP FOR CAPITAL GRANT FOR STEM CENTRE**

17. The Corporation meeting on 15 June approved the submission by the College of a capital bid to the London Enterprise Panel (LEP) for a £3.9 million project, 90% grant-funded, for the new STEM (Science, Technology, Engineering & Mathematics) Centre, including facilities for automotive engineering.
18. The bid was submitted on time on 15 June 2015. However the approval process is becoming increasingly elongated. We received a schedule of detailed queries about the bid on 19 August to which we replied on 2 September. In parallel with this we received an email from the LEP on 21 August saying that *"unfortunately due to delays in the due diligence process we will not be in a position to present projects to the LEP meeting in September but will seek a decision as soon as possible once our assessment process is complete"*.
19. We have been further advised by the LEP on 4 September that there will be more delay in the approval process as *"following recent discussions with BIS it is now clear that the LEP will not receive confirmation of its FE Capital funding allocation for 2016/17 until after the Corporate Spending Review in November"*. The revised timetable is for recommendations for project approvals to be made to the LEP in December, with full GLA approval in February 2016.
20. This represents two to three months slippage from the previously advised programme and makes it highly unlikely that the project could be completed in time for a September 2016 opening. Given the uncertainty, it has been considered prudent not to undertake any further works or incur any more costs on this project for the time being.

## **SPRUCE HILLS ROAD LAND – POTENTIAL DISPOSAL**

21. At the Corporation meeting of 15 June 2015 it was reported that the College had submitted a planning proposal to LBWF planners and that a positive pre-application meeting had been held with them on 11 May. The planners accepted the principle of redeveloping the site for residential use and were aware of the financial drivers behind the College seeking to dispose of surplus land. They were concerned, though, about the scale of any potential development and the loss of protected trees.
22. The College therefore resubmitted the scheme on 15 July taking into account the concerns of the planners. However, somewhat surprisingly, the planners responded less positively to this revised scheme sending us an unhelpful pre-application letter on 28 July. This indicated that they still considered the proposed development to be too large and gave a very clear steer that they would not look favourably at the scale of development we were proposing.
23. The College took further professional advice and revised the scheme in line with the pre-application letter. This revised scheme was submitted in early September and we await the response.
24. It is proposed that, subject to the receipt of a positive revised pre-application letter from the planners in respect of the newly re-submitted scheme, the College proceeds to market the site at the earliest opportunity. This strategy, as opposed to selling after securing a full planning permission, is supported by the advice previously received from our Deloitte adviser. He advised that if the College receives *"a positive pre-app you could well achieve unconditional receipts without the need for you to go to the time and/or expense of getting planning consent. In addition, the proportion of affordable housing is something the purchaser would want to influence and control (and you could cover by overage). Given the level of receipt my inclination is that you should just sell with the benefit of a good due diligence pack"*

25. It is further recommended that a procurement process to appoint an agent to market the site for us is now set into motion.

## **SUB-LETTING OF UPLANDS HOUSE**

26. At the Corporation meeting of 15 June it was reported that the College has now vacated Uplands House and has been in discussion with both the landlord regarding potential lease surrender and with a potential tenant for a sub-let. The College has an on-going commitment until April 2019 to lease costs of £120k per annum plus additional annual costs of £15k for business rates and insurance. Both approaches seek to minimise these on-going costs plus the costs and operational risks of otherwise occupying a vacant Uplands House site for four years.
27. At 15 June it appeared that we had a potential lessor of the site. However this now appears not to be the case as the potential lessor's interest has waned. The College is therefore continuing to speak to other potential lessors, though at the moment there are no immediate prospects for a sub-let. The College budgeted for rental income of £70k in 2015/16 due to our reasonable level of confidence at that time that we would have a sub-let. Clearly there's now a material risk that this income will not be forthcoming in whole or part and this will need to be factored into our 2015/16 budget management and projections.

## **EQUALITY CONSIDERATIONS**

28. There are no specific equality considerations arising from this report. However, it will be appreciated that the careful management of the College's resources, including our property, enables many of the equality considerations set out in the Strategic Plan and elsewhere to be progressed.

## **FINANCIAL CONSIDERATIONS**

29. The report indicates that the College needs to spend an additional £85k on capital works for a replacement Lowery lift, could incur additional revenue costs if there is a delay in terminating the Lockwood Way Unit leases and will face a shortfall in income if Uplands House is not sub-let.
30. The financial impact of these definite and potential adverse events will be factored into the overall management of the College's 2015/16 budget and cashflow.
31. The sale of land adjacent to Spruce Hills Road would generate cash which will increase the College's short-term business resilience and create funds for further capital investment.
32. The timely completion of the HoC4 project and the successful relocation of the electrical installation and automotive provision over the summer will generate medium term savings and additional income, and ensure greater efficiency in the operation of the College's estate.

## **RISK CONSIDERATIONS**

33. The report sets out a number of approaches to mitigate key financial and property-related risks through seeking to increase income, reduce estate running costs and ensure more effective utilisation of College's assets including disposing of surplus property and vacating under-utilised satellite sites.

## **RECOMMENDATIONS**

34. CORPORATION MEMBERS ARE RECOMMENDED TO:
1. NOTE THE PROGRESS IN IMPLEMENTING PROPERTY RELATED MATTERS DURING SUMMER 2015
  2. AGREE THE REPLACEMENT OF THE LOWERY LIFT AT A COST OF £85k
  3. APPROVE THE PROCESS FOR THE POTENTIAL DISPOSAL OF LAND ADJACENT TO SPRUCE HILLS ROAD AS SET OUT IN PARAGRAPHS 21 TO 25 ABOVE.