

AGENDA ITEM 10

REPORT TO THE TEES VALLEY COMBINED AUTHORITY CABINET

1st JUNE 2018

REPORT OF THE INVESTMENT DIRECTOR & HEAD OF EDUCATION, EMPLOYMENT & SKILLS

PORTFOLIO: INVESTMENT

IT INFRASTRUCTURE FOR REDCAR AND CLEVELAND COLLEGE

SUMMARY

The purpose of this Report is:-

- to inform Cabinet of the proposal by Stockton Riverside College to invest in improvements to IT Infrastructure at Redcar and Cleveland College site as part of the planned merger of the two colleges; and
- to seek approval for £968,436 of Combined Authority investment by way of grant funding into the project as set out in this report.

RECOMMENDATIONS

It is recommended that the Combined Authority Cabinet:

- i. subject to due diligence, approves the investment of up to £968,436 of Combined Authority grant funding in respect of IT Infrastructure improvements at the Redcar and Cleveland College site, as set out in this report.

DETAIL

Summary Project Description

1. In response to the recommendations of the Tees Valley review of post 16 Further Education, and as a result of serious concerns about financial viability, Redcar and Cleveland College have been working to secure a merger with another college. The merger plans are now in place for the college to merge with Stockton Riverside College in 2018.

2. The merger will consolidate the recent positive developments of a new curriculum and offer to learners across Redcar and Cleveland and beyond. A business model that creates new consolidated general further education across a range of subject areas linked to the growing business economy in Redcar will be developed further. This will ensure more young people can access local quality further education linked to business demand.
3. The merger will secure a general further education presence in Redcar that will continue to ensure provision of learning is available across the Tees Valley.
4. From July 2017 both colleges have been working together through a Merger Implementation Group and the Transactional Unit in the Department of Education to secure plans for the merger to complete in August 2018. This work includes developing a full and detailed business case for additional funding to support the merger. This funding is revenue-based to support the future viability of the new college entity.
5. The Transactional Unit does not provide capital-related funding for merger proposals. Capital funding to support further education institutions has instead been devolved to the Tees Valley single capital pot, and an application has therefore been made to the Combined Authority. Our Investment Plan highlights up to £3.5 million to be made available to “Improve and sustain 16+ facilities to upgrade equipment and buildings to ensure sustainability of 16+ provision”. This is the first request to access an element of this funding since the Investment Plan was agreed.

Merger Funding Request

6. The merger process between Stockton Riverside College and Redcar and Cleveland College has involved the development of an IT/Information and Learning Technology (ILT) Strategy. The draft IT/ILT strategy for the merged colleges has developed a detailed action plan designed to improve the effective use of IT in the delivery of teaching and learning. To inform the strategy, and as part of the due diligence work, a detailed review of existing technology at both Colleges has taken place, which has highlighted the need for immediate capital investment in IT Infrastructure at Redcar and Cleveland College site. There has been no significant investment in IT infrastructure or equipment at Redcar and Cleveland College for more than a decade.
7. The project will update the IT Infrastructure at Redcar and Cleveland College site with a total project costs of £968,436 to be grant funded by TVCA, to purchase and install the following:-
 - a) Data links;
 - b) Networks (switches, wireless, servers, storage and server software);
 - c) Firewall;
 - d) Telephony;
 - e) Classroom touchscreen displays;
 - f) Desk-top and tablet computers; and
 - g) Printers and Software.

Evidence of need for the Project

8. The project has been developed in response to the issues identified through the due diligence and planning process currently taking place as part of the planned merger between Stockton Riverside College and Redcar & Cleveland College, informed by the development of a draft IT/Information and Learning Technology (ILT) strategy.

9. The IT/ILT strategy is an essential step in the process of establishing an action plan to improve the effective and consistent use of IT in teaching and learning, which will lead to improvements in the learning offer, the quality of teaching, and the overall management of the College.

Ambition and Benefits

10. The project aims to improve the management and facilities at Redcar and Cleveland College, contributing to the future sustainability of FE provision in the area for learners age 16+.
11. The project will improve the IT facilities for students and create teaching facilities that are up to date and enhance the research, learning and achievement of students.
12. The alignment of IT infrastructure to Stockton Riverside colleges IT processes will also enable better performance management monitoring that in turn will help improve business planning and quality assurance of teaching practise.
13. The delivery of the Project will support the delivery of the SEP and contribute to the following outputs and outcomes:-
 - a) To improve and sustain 16+ facilities;
 - b) Secure the future sustainability of Redcar and Cleveland College;
 - c) Support a successful merger between Stockton Riverside College and Redcar and Cleveland College by 1st August 2018;
 - d) Improve the effective use of ICT in the delivery of learning, helping to improve learner attendance, retention and achievement rates, through improved facilities and learning delivery;
 - e) Increase learner numbers by 510 by 2020/21;
 - f) Increase the number of apprenticeships by 340 by 2020/21; and
 - g) Maintain the number of adult learners, and increase the range and volume of HE delivery, specifically to support forecast growth in key engineering sectors.

Assurance

14. A proportionate assessment of the business case has been undertaken by the Combined Authority in line with the Assurance Framework (a copy of the Assessment Summary is attached to this report).
15. Approval of the Project by Cabinet is requested subject to:-
 - a) Further work on the options appraisal, associated costs and benefits and a final positive Benefit Cost Ratio (BCR) to ensure value for money prior to entering into a funding agreement; and
 - b) The applicant provides a final formal legal opinion on State Aid.

16. No further external due diligence is required.

Funding

17. The grant funding requested is required in financial year 2018/19 to ensure that the works are fully completed by 1st August 2018 in time for the new 2018/19 academic year.

18. The overall costs of the Project (including contingencies) are estimated at £968,436.
19. The proposal requests 100% grant funding from TVCA. There is strong justification in the business case as to why the proposal is requesting 100% grant funding:
- a) There has been significant downward pressure on FE Colleges, both in terms of funding for capital programmes, including capital for IT improvements, as well revenue funding with operating budgets being reduced;
 - b) Stockton Riverside College has recently invested alongside TVCA in improved training facilities at NETA, using finance generated by the sale of NETA premises in Billingham and has no available capital resource to invest;
 - c) The merged college would not generate sufficient income at this point in the merger process to be able to invest in the required IT Infrastructure; and
 - d) Without TVCA support the project would not go ahead and there is a real risk that learner numbers and the quality of provision at Redcar and Cleveland College would continue to decline, putting its ongoing sustainability at risk.
20. The need for IT investment at Redcar and Cleveland College site is significant and independent of the merger. The IT infrastructure is extremely old, with many PCs and interactive whiteboards 9 years old and the network being operated on a system (Novell) no longer in general commercial use. This needs significant and immediate investment, and will need this irrespective of the merger with Stockton Riverside College.
21. The major overhaul of the IT network must be completed over the Summer period to avoid disruption at the beginning of term, and there are some critical elements of the project at this point.
22. We therefore propose to add conditions to the funding agreement in two parts:-
- Part 1 - £390,176 for the major infrastructure works that must take place in the summer period. This is to be paid prior to the finalisation of the merger, with the ability for TVCA to clawback if a suitable merger doesn't take place; and
 - Part 2 - £578,260 to be paid once the merger is complete.
23. Stockton Riverside College/Redcar and Cleveland College are collectively applying for financial support (post-merger) to the Department of Education's Restructuring Facility. However, this would only provide revenue, rather than capital investment.

FINANCIAL IMPLICATIONS

24. To commit £968,436 to Redcar College IT Infrastructure Investment project by way of grant funding, subject to appropriate due diligence through the Tees Valley Assurance Framework.
25. This funding will come from the £3.5 million identified in the Investment Plan under Education, Employment and Skills to improve and sustain 16+ facilities.

LEGAL IMPLICATIONS

26. Any legal issues in respect of the Project will be dealt with in the funding agreement to be entered into between the Combined Authority and Stockton Riverside College in due course. The Combined Authority will use its standard funding agreement for capital projects to govern the terms of its investment. The funding agreement will be tailored so as to minimise the risks identified in the risk section below as far as possible.

RISK ASSESSMENT

27. The key risks in relation to the Combined Authority's investment in the Project are the potential time and cost overruns as the merger is currently not complete and costs have been estimated. This will be managed through the due diligence and the Combined Authority's funding agreement with Stockton Riverside College (including monitoring and reporting arrangements).

CONSULTATION

28. The Merger Implementation Group (MIG), met on the 24th January 2018 and all members expressed their support in principle for this proposal.

Name of Contact Officer: Kelly Neal
Post Title: Project Investment Officer
Telephone Number: 01642 524402
Email Address: kelly.neal@teesvalley-ca.gov.uk