

Minutes



Leading learning and skills

Date	4 December 2008
Subject	Capital Committee
Location	Holiday Inn, Bloomsbury
Time	13:00
LSC office	National Office
Publication intent	Internal

Present See Annex A for a list of attendees

Item 1. Welcome and introductions

- 1.1 The Chair welcomed the Committee and noted the apologies. There were no declarations of interest.

Item 2. Minutes of last meeting

- 2.1 The minutes of the last meeting were approved and the decisions were ratified.

Item 3. Matters arising

Northampton College

- 3.1 The Committee saw this project last month and asked for clarification over the increase in GLHs without a corresponding increase in learner numbers. It was confirmed that learner hours will be increasing in future to meet QCA recommendations, this equates to approximately 2 additional GLHs per student per week. Additionally there will be a move from part-time provision to full time, and an increase in LLDD provision which delivers learning plans at the maximum available GLHs.
- 3.2 Train to Gain was not mentioned on the original paper and there is no mention of it on the papers presented to the Committee. The Train to Gain provision is delivered almost exclusively off-site and therefore did not contribute significantly to the FTE or GLH figures and was therefore excluded from the papers. The Committee felt it would have been useful to see the learner numbers on this programme. The growth at 19+ is flat until 2012/13 when it increases by only 20FTEs and a further 30FTEs the following year.

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- 3.3 Employer engagement and full cost provision needs to be increased, and income streams must be diversified as quickly as possible.
- 3.4 There will still be a presence in Daventry after this project is completed and the Daventry site is developing its own capital project in conjunction with Moulton College and two local schools. An AiP presentation will come forward in due course.
- 3.5 It was confirmed that there is an accelerated depreciation in the financial forecasts which has affected the operating surplus figure. In reality the college is not operating at a deficit. The finance officers confirmed the forecasts are accurate and that the 85% intervention rate is appropriate.
- 3.6 Members were satisfied that their concerns had been addressed, it was noted that this is a worthy project and there are no outstanding issues.

Decision: The Committee agreed to endorse the £78.852million detailed project proposal for approval by the National Council at the 85% (£67.024million) grant support level.

Bournemouth and Poole College

- 3.7 An update report was considered on Bournemouth and Poole College's Application in Principle determined by National Council in June 2008. The combined cost of both projects, one at the Bournemouth campus and one at the Poole campus, had risen from the estimated £102.7m to £127.9m, an increase of 25%, as a result of additional planning requirements, the need to be BREAMM 'excellent', exceptional cost increases and building cost inflation. The committee was also made aware that, despite advice from the committee to the contrary - "This proposal needs to come back as two separate projects at the detailed stage" and "The project must be split into two separate projects; each must have robust project management" - that the college was proposing to submit a single detailed application for the two projects.
- 3.8 The committee discussed this in the context of the considerable cost increase within a short period of time, its previous exhortation that it should be considered as two separate projects at detailed stage, and was not at this stage minded to amend its previous opinion. The college should be warned, therefore, that the committee was disappointed that its views were not reflected in the forthcoming application and that the college should be reminded that it was working at its own risk in pursuing an alternative procurement route.

Decision: The committee agreed that the college should be reminded of the basis upon which the in principle application was determined and that it had expected the college to come forward with detailed applications in two stages, one for each campus, at least two years apart. The committee further confirmed that the SW Regional Council should be informed of its expectations.

Stanmore College

- 3.9 The Committee was informed that the Regional Council have not yet discussed this project and the paper was therefore withdrawn. It will be

considered at a later date in conjunction with Harrow College and the impact on Barnet College will be assessed at that time.

Item 4. Capital Programme – Phasing and Prioritisation Issues and Recommendations to the National Council

- 4.1 A discussion on phasing and prioritisation was started at the November meeting of the National Council, however, time constraints did not allow for the debate to be concluded. The National Council will have a further debate at the December meeting.
- 4.2 Officers felt that the budget problems for this year have now been largely solved. A letter confirming the transfer of £110 million from the 2010/11 budget into this year was expected shortly. For the reasons outlined in the report and explained to the committee previously there was little headroom in the capital budget for 2009-10 and 2010-11. Projects endorsed up to and including this meeting will still need to be sent to National Council for approval; after this meeting further approvals would be dependent on the actions agreed by the national Council and the prospects for any additional funds.
- 4.3 It is extremely difficult to model what will happen in the next CSR as a number of different scenarios are possible. The pre-budget report had stated that public sector spending capital investment as a proportion of gross domestic product (GDP) is likely to fall by one third by 2013-14. This meant that the LSC had to assume a flat cash position i.e. a fall in real terms in its budget from 2011-12 onwards
- 4.4 The Capital Committee noted that the LSC's capital budget had been top-sliced for several years by circa £80-90 million notably for LSC IT support, JISC and exceptional support although the sums taken were now falling.
- 4.5 The Regional Capital Strategies for 2008/09 identified approximately £14 billion of projects, an increase of circa £6 billion since last year. The number and size of projects have both increased significantly in the last 12 months. The forward planner for the last three months of the financial year show potentially 68 projects coming forward for approval in 2008-09. These could cost a total of £4.5 billion and all are aiming to start on site within three years. At the same time projects appear to be rushed and less robust than those seen last year, several projects had not been approved at this Committee recently.
- 4.6 Members agreed that there should be a pause on projects at AiP stage, and all projects at AiP must have a set of criteria applied in order to establish priority and sequencing. A clear set of criteria should be devised and all regions should adhere to it. Updated Regional Capital Strategy Plans need to be put in place.
- 4.7 It was noted that the LSC's single line capital budget had been split into DIUS and DCSF portions from 2008-09 onwards but retrospectively in year for 2007-08 removing a substantial sum from the forward capital budget and, therefore, in part precipitating the current position. Prior to this the priority

had been to manage capital budget underspend and the LSC had been encouraged by the then DfES to build the programme up.

- 4.8 The Capital Committee agreed that sector needed to know quickly if changes were to be made to mitigate costs developing projects that might not be immediately funded. Converting AiPs to AiDs will be extremely difficult for the next 12-24 months.
- 4.9 Colleges have previously been encouraged to plan single bigger projects rather than several smaller stages. As a result colleges have committed a lot of money in one go, more than they would have done without LSC encouragement. The rise in the expectations of the regions has compounded the problem.
- 4.10 Market conditions have resulted in very low disposal proceeds and difficulty in selling land which has pushed up grant support levels.
- 4.11 The Capital budget now needs to be managed in a different way; several suggestions had been included in the paper. Colleges may need to restructure their finances and loans before the build starts. Spreading financial support over a longer time period may allow more projects to be funded; however they could will end up costing more in the long term.
- 4.12 The Secretary of State has asked the National Council to clarify the capital budget position. It appeared that the Secretary of State sees the transfer of £110 million from next year's budget as a good news story and he has been told this will enable 25 colleges to get their projects in this financial year instead of next.
- 4.13 The model of the current financial position looked at projects sent to National Council up to and including the meeting on 5 November; subsequent projects have not been included in the model but should be affordable with slippage or the re-phasing of other projects.
- 4.14 Members commented that the paper is a good start, however clear policies need to be devised for projects in every possible stage from pre-AiP through to post AiD. Consideration will have to be given to what happens to the projects that have been approved at Regional Council but are still waiting to come to this Committee.
- 4.15 National Council must decide at what point colleges with AiP approvals are informed of the budget constraints. It cannot be delayed longer than absolutely necessary and must happen by the middle of January at the very latest. A policy paper must therefore be presented to the National Council on 17 December.

Action: Phil Head and David Russell to write a policy paper for the National Council meeting.

- 4.16 Regional teams are aware the LSC will need to implement a programme of prioritisation and sequencing of projects. The regions are already aware that for any projects that are not at the top of the list, or at least very close to it, there may not be funds available for their immediate implementation.
- 4.17 Setting a lower intervention rate could stretch the budget further however specifying exact figures may not be helpful, a system of match funding or project size limits should also be considered.

- 4.18 It was also noted that the borrowing commitment of colleges have changed, at the current rates of interest and LIBOR a college can borrow up to 50% of its turnover at the same cost as borrowing at 30-40% of turnover last year.
- 4.19 The Capital Committee agreed that capital should be high up the agenda for the National Council meeting to allow a full discussion.

Action: Pete Sanders to liaise with Sue Randall to ensure Capital is early on the National Council agenda.

Item 5. Projects for Approval by the National Council, or the Capital Committee under Delegated Authority

Stoke on Trent Sixth Form College

- 5.1 The Committee was told that the university-related part of the project has been removed from this proposal and will be included in a future £7.3million project currently being developed. The revised costs are therefore not directly comparable to those at AiP.
- 5.2 The learner numbers have been agreed after consultation with the other colleges in the region.
- 5.3 The site currently has a pub and a three storey property attached to it. There will be a compulsory purchase order put on these if the current sale negotiations do not succeed. The pub is being sold as a going concern which has increased the price and legal fees have also been included in the cost.
- 5.4 The college's science facility is in rented accommodation at the moment. If the proposed shared facility is not approved at a later date, however, there will be little impact as there is an option to extend the rental agreement, however the facilities will not be to the same standards that a new build would provide.
- 5.5 The ownership and responsibility for the playing fields will be transferred to the local authority, who will lease back the site on a 125 year agreement and the site will be used for a new BSF secondary school.

Decision: The Committee agree to endorse the £31.9million detailed project proposal for approval by the National Council at the 74.75% (£23.846million) grant support level.

Coulsdon College

- 5.6 Members were reminded that this project was under £30million at the AiP presentation and had then, therefore, come within the committee's authority by delegated authority.
- 5.7 The space norms now fall within the LSC norms. The college must endeavour to get residential planning permission on the site. It was agreed that 75% of any disposal proceeds should be given to the LSC, with the College allowed to keep 25% in order to incentivise the college to achieve the best possible price. The condition of sale should not be part of this approval but should be decoupled and addressed separately by LSC officers.

- 5.8 The project management team is being strengthened however there is very little information about the team or the decant strategy in the meeting paper and officers would need to be satisfied that proper arrangements were in place.
- 5.9 It was noted that this is a project based on building needs and not on delivering large student growth, the income will also remain relatively flat with only a 10% increase over the period. The accommodation is in a very poor state and is in urgent need of renewal.

Decision: The Capital Committee agreed to recommend the £32.538 million project with grant support at 98% (£31.887 million).

Easton College

- 5.10 This project was considered collectively at AiP stage and is now coming back as individual phases. This is the second and largest of the three phases. If the third phase is not approved the college will not be in a worse position.
- 5.11 No section 106 agreements have been attached to the planning permission however road improvements are expected to be made within phase 3. It must be confirmed whether these will be attached to this second phase if the third phase does not go ahead.

Decision: The Committee approved the £15.228million detailed project proposal at the 75% (£11.338million) grant support level on the understanding there are no planning conditions attached to this phase of the project.

Item 6. Applications agreed under Chief Executive's and Regional Directors' Delegated Authorities.

- 6.1 The Committee noted the paper which contained projects from the Royal National College of the Blind and Brine Leas School.

Item 7. Any other business

- 7.1 There were no items.

Item 8. Date of next meeting

- 8.1 The next meeting will be on the 13 January in Centre Point and will review the Capital Strategy.

Meeting chair	Norman Boyland
Minute taker	Pete Sanders
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Annex A: Capital Committee – 4 December 2008 - Attendees

Members Attending

Norman Boyland – Chair
Richard Haynes
Malcolm Trobe
Ashley Winter
Maggie Galliers via teleconference

Apologies for Absence

Lynne Morris
George Sweeney
John Bull
Mike Collier
Peter Ibbertson
Paul Jagger
Edward Libbey

Item 2 – Matters Arising

Northampton College

- Andrew Cheal – Area Director
- Andrew Neill – Regional Finance

Bournemouth and Poole College

No attendees

Item 5 – Capital Applications for Approval by the Council or the Capital Committee

1 Stoke on Trent College

LSC

- Debbie Callaghan – Regional Property Advisor
- Stephen Packham – Partnership Manager

2 Couldson College

No attendees

3 Easton College

No attendees

Other LSC Staff

- Philip Head
- Roger Taylor
- Denis Miles
- Judith Wilson
- David Russell
- Pete Sanders
- Laurence Leader