

Date	5 September 2007
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Item 1. Welcome and introductions

- 1.1 The Chair welcomed the Committee and thanked Lynne Morris for hosting the meeting. Peter Newson was welcomed to the meeting.
- 1.2 Norman Boyland declared an interest in Hadlow College which is in his region. The paper has been circulated to the South East Regional Board members but not discussed at a meeting.

Item 2. Minutes of last meeting

- 2.1 The minutes of the meeting were approved.

Item 3. Matters arising

- 3.1 Item 3.1 – the implementation of the Machinery of Government proposals had not moved on significantly from last month. Mark Haysom had recently addressed National Office staff with a message of business as usual until more is known; he plans to deliver around 30 presentations across the country. DCSF and DIUS have met to divide up the budgets and Capital – including schools capital budgets – now sits entirely within DIUS. Other than engaging more with LEAs there should not be much change to for the Committee in the short to medium term.

Update on Dyson

- 3.2 Sir James Dyson had withdrawn his interest in the Bath location due to problems with the local Authority granting planning permission and selling the land, there are additional issues with the RDA.
- 3.3 A site in the Bristol Science Park is now a possible location for essentially the same project. No further LSC expenditure will be authorised until after the project has come back with a formal plan. The Dyson steering group was due to meet later in September.

Formula based Capital Allocations

- 3.4 At the February meeting the Committee approved delegations to the Chief Executive for £30 million of capital funds to be reallocated amongst FE providers. Following the initial payments it has emerged an additional £273,195 is needed to be distributed on the same basis, this is due to late returns from providers and data errors which have now been corrected. In addition recovery of monies from three providers is necessary.

Decision: The Committee approved the additional £273,195 to be distributed in accordance to the formula to ten providers; and recovery of funds from three providers.

National Construction College (East)

- 3.5 There is likely to be an in principle capital application on the October agenda from the National Construction College based in Norfolk. This is an exciting, yet unusual project which the Committee should be forewarned about.
- 3.6 This is essentially a non-departmental public body with no capital financing capability and no facility to borrow. DIUS had already been approached for funding however their allocations have already been made to the LSC. The college may be able to contribute some funds from their residential planning application.
- 3.7 Members noted that consideration could be given to asking the college to establish a sinking fund so that any future re-investment could be more self funded.

Item 4. Capital Applications for Approval by the Council

Luton Sixth Form College

- 4.1 It was noted that although five tenders were sought for this project three have now withdrawn their bids due to the lack of capacity of contractors. A further contractor would have been able to bid if this project had been delayed 6-9 months. For the time being this project will continue with two contractors, however if the costs are not competitive then the project will have to be delayed whilst new bids are sought. This situation is likely to be encountered more often in London and the surrounding areas in the build up to the Olympics.
- 4.2 Members noted that the project is unlikely to have a negative effect on nearby Barnfield College and the neighbouring academies. Barnfield in particular is a successful beacon college and is likely to come forward next year with its own capital bid. There is an agreement in place to offer largely separate curricula.
- 4.3 Some financial predictions are rather cautious, however these will be better understood at the in detail phase next year.
- 4.4 The buildings were in the main seventy years old and refurbishment was not financially viable. The current facilities could not accommodate the student numbers nor can they be adapted to the modern curriculum. Eight temporary classrooms had been erected in recent years. As part of the Campus Luton

partnership, Luton Sixth Form College will become a specialist in ICT. There is no adult participation at the college as the focus is exclusively on full time 16-19 students.

- 4.5 There is more circulation space than normal due to the necessary re-design imposed by the planning authority. Constraints have meant that the building had to be shorter whilst maintaining the commitment to provide each room with natural light and ventilation, and allow close monitoring of students.
- 4.6 There are no suitable locations to move the college to, however it could be possible to build on a new footprint on the current site which will remove the need for a temporary decant. Planning consent will be sought next month.
- 4.7 Sport England initially resisted the sale of 3.5 acres, however due to the proposed improvement in the quality of sports facilities over the current provision it had agreed to support the sale.
- 4.8 It was originally planned to sell 8 acres and there may still be scope to dispose of additional land; however planning consent is still being negotiated and it is unclear if there will be any additional significant section 106 agreements imposed. It is possible that access will have to be widened and a roundabout put in. A second valuation of the land will be sought after planning consent, the amount of affordable housing and the density will impact on the final receipt.
- 4.9 The potential VAT liability is still to be determined, if the sports facilities were for the College's sole use, the whole project would be VAT exempt. The College is keen to open up the facilities to the public to raise the profile within the community and to introduce additional funding streams. The facilities themselves will be of enormous benefit to the community.
- 4.10 The detailed application is planned to come before the Committee in April 2008 and the project is due for completion in August 2010.
- 4.11 Campus Luton is a 22 member partnership including all the high schools, University of Luton and the local LSC office. It is alternately chaired by the Director of Children and Learning, and the LSC Area Director. Many schools don't add to the college's growth as the students do not possess the necessary qualifications. Already Campus Luton is addressing this issue and will contribute in future to the college's growth.
- 4.12 The local LSC confirms that this project fits both the geography and provision of its capital plans.

Decision: The Committee agreed to endorse the £40.640 million project proposal on an in principle basis for approval by the Council at an indicative £33.14million (81.5%) grant support level.

Burnley College

- 4.13 This is essentially the same project as was seen by the Committee in October 2006. There are no other suitable sites within Burnley, which suffers from significant undermining in the area. This project still has a negative NPV but this has been signed off by the Finance Director. This project has already been agreed on an in principle basis and, the purpose of this discussion is to assess the increased costs.

- 4.14 It is imperative that the project is completed on schedule in order to meet the growth targets, any delay will have significant financial impacts and will reduce the college's capability to service the loans.
- 4.15 Ten sites in Burnley were reviewed in the three years before agreement in principle was sought. The current site is the only viable location but it was always recognised as being far from ideal.
- 4.16 Planning consent was received in March 2007 with moderate conditions attached, including the removal of the gas holders on the adjacent land; this is scheduled to begin in September 2008. At the time of AiP this requirement was not known as the PADHI legislation was not fully appreciated by the local planning office. National Grid owns the land and the gas holders which are currently in use.
- 4.17 Site enabling work is already underway on the campus location and is due for completion in 10 days. National Grid will have diverted the gas supply by 28 September.
- 4.18 The NWRDA have already agreed to fund £9.95million, with HEFCE funding an additional £8million and UCLAN a further £2.8million. These funds are dependent on LSC approval of the detailed project. The college has increased its own contribution so that borrowings are now 40% of its turnover, LSC grant profiling can be adjusted to minimise the College's short term borrowing.
- 4.19 Costs have increased by £17.28million from £64.36million to £81.64million; figures are now 95% certain. £3.16million of the increase is a result of the need to remove the gas holders.

Decision: The Committee agreed to endorse the £80.142million (the FE element is £69.323million) detailed project proposal for approval by the Council at a £48.526million (69.32%) grant support level.

Item 5. Capital Applications for Approval by the Capital Committee under Delegated Authority

City of Westminster

- 5.1 This was part of the in principle project considered earlier this year. This Phase 1 detailed application addresses the enabling works necessary to deliver the later phases of new build. It comprises the work needed to lease and refurbish the decant accommodation and as such cannot be seen as a stand-alone phase.
- 5.2 The committee noted that the costs were entirely consistent with those at AiP and having a high grant support rate does not necessarily set the rate for future phases.

Decision: The Committee approved the £12.704million project at the 10.023million (78.9%) grant support level.

Hadlow College

- 5.3 This project did not come through the Committee for an AiP as the initial costs are estimated at less than £10million and the project is straight forward. This is the first of a three stage project and is key to provision in Kent.
- 5.4 The college is currently overspaced, even in terms of land based colleges, but this issue will not be addressed in phase 1, although it will be remedied in phase 2.
- 5.5 There is a large predicted increase in student numbers, however the previous predictions on growth have been accurate so far. Whilst there is always an inherent risk of not meeting growth targets, this risk is no bigger than any other project.
- 5.6 The potential land sale can only be completed at the end of Phase 1, and therefore would not be able to contribute financially until later phases..

Decision: The Committee approved the £8.18million project at the £5.81million (71.0%) grant support level. Two conditions must be imposed, firstly that phase two should come forward within 12 months to address the issue of space requirements, and secondly that the receipt from the land sale must be wholly put towards the funding of the second phase.

Kendal College

- 5.7 This is exactly the same project as the Committee agreed on in principle to earlier this year although abnormal costs have increased a little. There is close collaboration with the four nearby colleges who have established a college company; there is also a close working relationship with the university. This project does not impinge on learner numbers of other providers.

Decision: The Committee approved the £12.884 million project at the £10.126million (78.6%) grant support level.

Reeseheath College

- 5.8 This is a highly commended project from a successful college, it is essentially the same project which the Committee saw at AiP stage earlier in the year, since then the intervention rate the college is asking for has gone down.

Decision: The Committee approved the £9.691million project at the £6.238million (64.4%) grant support level.

Royal National College for the Blind

- 5.9 This is a centre of regional and national significance, it has good partnership working with local colleges and has been very successful in enabling many students to become economically active. The residential aspect is essential to teaching life skills.
- 5.10 Affordability is always difficult to set for specialist colleges and, the intervention rate was agreed as 50% but it must be emphasised that this is not a set figure at this stage.
- 5.11 The receipt from the land sale will be less than originally valued as the local planning office has reduced the density of the planned housing and

increased the level of affordable housing. There is, as always, an overage agreement in place.

Decision: It was agreed that the Council's £7,596,883 (50%) financial support would be subject to:

- the detailed application for LSC financial support regarding the second phase project for the remodelling of Gardner Hall being presented to the Council for approval within 12 months;
- should additional funding be secured from Advantage West Midlands and/ or the Football Association then that funding is to be ring fenced for expenditure upon the Gardner Hall capital project: and
- If the above conditions are not met then the LSC reserves the right to reduce the level of its financial support. If overage above the agreed sale price of £5,479,000 (net) for the 2.3 hectares of the Venn's Lane campus is received the additional sales proceeds will be split equally to offset college borrowing and the Council's financial support.

Item 6. Investment Appraisal Review Project: Update

- 6.1 The paper was presented as a draft report from consultants Grant Thornton the review of policy and procedures for capital investment appraisal. This is part of a three stage review, the first stage now having been complete.
- 6.2 This new approach will be used to assess projects which have been brought forward as part of a broader provider strategy; it will also address the recent increase of otherwise desirable projects having a negative NPV. Most projects that have been used to test this approach have been shown to have good economic desirability using this system, even those with large negative NPVs.
- 6.3 The fundamental approach was welcomed by members who felt it should sit alongside the current system rather than replace it; both are useful tools which give key information on which the Committee can base a decision.
- 6.4 The third paragraph under section 8.1 was considered to give an overly simplistic approach to linking affordability and economical appraisal. Members felt that the report should be concluded and the new processes resulting from it should be implemented with a minimum of delay.

Item 7. Applications Agreed under Chief Executive's and Regional Directors' Delegated Authorities

- 7.1 The Committee noted the approvals in the paper.

Item 8. Any other business

- 8.1 Committee members were invited to tour the building works of the new Joseph Chamberlain College.

Item 9. Date of next meeting

- 9.1 The next meeting of the Committee will take place on 11 October.

Meeting chair	Norman Boyland
Minute taker	Pete Sanders
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