

Minutes



Leading learning and skills

Date 11 October 2007
Subject Capital Committee
Location Centre Point
Time 10:30
LSC office National Office
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Present Norman Boyland (Chair)
John Bull
Lynne Morris
Alan O'Neill
John Taylor

In attendance For Northampton
Len Cross – Principal
Gary Brough – Head of Estates
Henry Morgan – Director of Finance
Liz Searle – Area Director – Northampton LSC
Dianne Brown - Regional Property Advisor
Andrew Martin – Regional Finance Director
For Colchester Institute
Danny Clough – Principal
Jim Clarke – Finance Director
Paul McGuire – Regional Finance Director
Alan Searle – Regional Finance Team
Janice Logie – Area Director
Keith Felgate – Regional Property Advisor
For Suffolk College
Dave Muller – Principal
Tony Keable – Finance Director
Paul McGuire – Regional Finance Director
Alan Searle – Regional Finance Team
Judith Mobbs – Area Director
For College of North West London
Vicki Fagg - Principal
Malcolm Rapier
Ashok Patel
Amrit Dosanjh - London West LSC
Abs Malik - London West LSC
For Shrewsbury Colleges

Debbie Callaghan – Regional Property Advisor
Sharon Gray – Area Director
Chris Knight – Regional Finance
For National Construction College
Andy Walder
Paul Allford
Kim MacLahlan
Paul McGuire – Regional Finance Director
Alan Searle – Regional Finance Team
For Brighton and Hove Sixth Form College
Michael Nix – Partnership Director
Pauline Tiller – Regional Finance Director
Isabelle Wragg – Regional property Advisor
For Tauntons College
Pauline Tiller – Regional Finance Director
Isabelle Wragg – Regional property Advisor
For City of Bristol College
Mark Harvey – Regional Property Advisor
John Temple – Area Director
For Hartlepool Sixth Form Centre
Tom Crompton – Area Director
Helen Beaton – Provider Financial Mgm
David Johnson – Regional Property Advisor – Northern
For Cardinal Newman Sixth Form College
Ian Haworth – Area Director
Steve Dunmore – Finance Mgm
Ian Kinder – Partnership Director Lancs LSC
David Johnson – Regional Property Advisor – Northern
For Stoke on Trent College
Debbie Callaghan – Regional Property Advisor
Val Tomlinson – Partnership Director
Chris Knight – Regional Finance
For City College Birmingham
Debbie Callaghan – Regional Property Advisor
Val Tomlinson – Partnership Director
Chris Knight – Regional Finance

LSC staff

Phil Head
Alastair Grindlay
Denis Miles
Pravin Parmar
David Russell
Judith Wilson

Apologies

Apologies have been received from:

Terry Dabs
Richard Haynes
George Sweeney

Item 1. Welcome and introductions

- 1.1 The Chair welcomed the Committee to Centre Point, which will become the regular venue.
- 1.2 The following declarations of interest were made:
 - Lynne Morris for the City College, Birmingham item as it is a neighbouring College to Joseph Chamberlain.
 - Lynne Morris for Shrewsbury College of Arts and Technology, as her husband is Clerk to the Corporation.
 - Norman Boyland in his other capacity as chair of the South East Regional Board for Brighton and Hove Sixth Form College and Tauntons College which are South West projects.

Item 2. Minutes of last meeting

- 2.1 The minutes of the previous meeting were approved, subject to a list of amendments given to the clerk.

Item 3. Matters arising

- 3.1 Item 3.1 – the Machinery of Government implementation work has now established three working groups: 14-19 in collaboration with DCSF; the post 19 group with DIUS and a group considering the impact on the LSC. The post 19 group is looking at some fairly radical options, and all are being considered. There will be a formal consultation process jointly conducted by DCSF and DIUS in the New Year that will run until March with final decisions made during the summer term. Capital issues will be covered in the consultation.
- 3.2 Item 3.2 – the Committee was previously informed that Bath Spa University outbid James Dyson for the land owned by the local authority. Bath Spa University have now withdrawn their winning bid as it is unaffordable and the Dyson Foundation is considering other sites in Swindon and Bristol..
- 3.3 The Chair confirmed that Regional boards have recently discussed the issue of affordability in sixth form colleges. It has become increasingly clear that whilst some colleges are able to diversify their income streams others have poor growth prospects and competition for learners. This can put colleges at risk if targets are missed by as little as 20 or 30 learners. The standard level

of borrowing needs to be reviewed and the risks investigated and better understood. This is likely to hit colleges in 2 to 3 years time so measures need to be taken soon. It was suggested that Barton Perveril College in Hampshire would make a good case study for this.

Item 4. Capital Project Support – Projects for Approval by the Council

Northampton College

- 4.1 This is a general FE college with 77% of accommodation categorised as barely adequate or worse. There are currently 15 separate buildings which have been built piecemeal since 1972. It is no longer economically viable for the college to refurbish and repair these facilities; the estimated cost would be in the region of £14million with an additional £9million maintenance needed over the next 10 years.
- 4.2 Following a merger in 2004 the college is situated at two locations, one, the main campus is currently over-spaced while the other near the town centre is under-spaced. This is the reason why the accommodation in this project is being increased 25% yet the growth figures are only 0.5%. This is a prudent figure of the growth that will definitely be achieved, rather than a hopeful estimate of what might be achieved.
- 4.3 The accommodation is generally not fit for purpose and with over 100 external doors, 18 different heating systems and more than half the windows being single glazed there are major security risks, and environmental impacts.
- 4.4 Northampton will have a radical investment plan over the coming years, the population is due to increase significantly to 2020 from 200,000 to 295,000 which is approximately the size of Nottingham.
- 4.5 The college is unable to sell surplus land at its main site for residential purposes as the local planning authority is unlikely to grant consent for change of use.
- 4.6 The heart of this proposal is about making the accommodation fit for purpose. Growth is difficult to predict, and in particular funded growth which has capped learner numbers in the past.
- 4.7 The college will need to reduce play costs by 3% per annum, the 20-30 currently vacant posts have already helped to make some savings and this may be sufficient.
- 4.8 In answer to questions from members about the Building Schools for the Future programme it was confirmed that students were not being counted twice in terms of providing accommodation. Across the county there is a two-tier system, not three-tier which has led to increased partnership with LEAs and greater understanding of student numbers and locations.
- 4.9 No suitable alternative has been found. Despite a great deal of planned development, most of the prime locations have already been earmarked for housing. A town centre location might have been available, however, the traffic generated by the school run would have caused major traffic congestion.

- 4.10 The college has admitted that its initial results from its Train to Gain programme had been disappointing but should improve. Fully priced adult learning has been successful and their innovative ideas have proven popular in the community.
- 4.11 The project will be huge and will result in six years of financial deficit at the college, following that the margins will be less than 1%. The Committee asked that a more detailed business plan be prepared at the detailed stage.
- 4.12 Members were concerned that it was difficult to see why learner numbers were not expected to grow in line with the projected population explosion. This project will return for detailed approval with the knowledge of the 2007/08 learner numbers are known.
- 4.13 The satellite Daventry site will have a separate much smaller project coming forward at a later date.
- 4.14 There is a strong management team at the college and there was confidence they will be able to deliver this project although it was recognised that the college would require strong consultancy support.
- 4.15 The Committee agreed to endorse the £75.968 million project proposal on an in principal basis for approval by the Council at an indicative 89% (£67.612million) grant support level.

Colchester Institute

- 4.16 This first came to the Committee in June 2006, since when costs have increased 33%. The scheme has not changed significantly, however the costs at the initial AiP were subsequently found to be unrealistic. The increased costs will have to be covered by an increase in grant support. The figures are now thought to be extremely robust.
- 4.17 The projected learner growth of 24% was the same as at the first AiP presentation and is still expected to be funded. The actual learner numbers are slightly higher than the projected figures for this year.
- 4.18 Tendered bids have been received for stage 1 which will come to the Committee for detailed approval next month.

Decision: The Committee agreed to endorse the £84.594million project proposal on an in principal basis for approval by the Council at the indicative 75% (£63.455million) grant support level.

Suffolk College

- 4.19 The first in principle application was submitted in March 2005 which, with hindsight, the college accepted was premature. A revised cost update considered by the committee in October 2006 was £15 million over the cost plan. After that the project was redesigned and re-costed, the consultants were replaced and better advice has been received.
- 4.20 The learner growth will focus on 16-19 FTEs as the priority. WBL and train to gain will also be targeted, both require mainly offsite provision and the Committee were assured that space-norm calculations had excluded these learners. The LSC confirmed the learner growth will be funded.

Decision: The Committee agreed to endorse the £68.982million detailed project proposal for approval by the Council at the indicative 62% (£42.817million) grant support level.

College of North West London

- 4.21 The Committee noted the difficulties in predicting learner numbers for this project proposal in the current funding climate. The 16-19 learner numbers predict a modest growth and adult learners will be the key as the college moves more towards train to gain. The Committee commented on the lack of absolute figures. And that the college's income does not show much increase to 2014.
- 4.22 This project is currently over the limits set in the new cost system discussed at item 6, however this will be resolved before the Committee see the project again at the detailed stage.
- 4.23 The college's Arena House will be sold as part of this project. This is situated in an ideal location and land values are currently increasing.
- 4.24 The Committee had difficulty setting an indicative intervention rate given the lack of detail in the predicted learner numbers and income streams which would need much greater clarification at the detailed application stage.

Decision: The Committee agreed to endorse the £33.430million project proposal on an in principal basis for approval by the Council at the indicative 63% (£21.061million) grant support level.

Shrewsbury College of Arts & Technology (SCAT) and Shrewsbury Sixth Form College (SSFC).

- 4.25 The committee was reminded that this is a campus co-location project and not a merger. Both colleges will remain independent but work collaboratively. But sharing facilities will add complications for costings. There have been some protests about this proposal from both staff and parents but there remains a strong commitment from the Colleges and from the wider educational community.
- 4.26 Some details still needed to be worked out regarding the operating agreement and the legal ownerships and operation of shared facilities. This is ongoing and good progress has already been made but it will have to be finalised before the in detail presentation.
- 4.27 The performance of SCAT has improved significantly since the two colleges have started working more closely. It is much smaller than SSFC and is now coming out of financial difficulties, it will also contribute disposal proceeds which will help fund the project.
- 4.28 The Committee agreed to endorse the £37.376million SCAT project proposal on an in principle basis for approval by the Council at the indicative 71% (£26.537million) grant support level.

Decision: The Committee agreed to endorse the £22.223million SSFC project proposal on an in principle basis for approval by the Council at the indicative 78% (£17.222million) grant support level. Capital Project Support – Projects for Approval by the Committee. Although the SSFC's contribution to

project costs was within the Capital Committee's delegated authority it was agreed that as both projects were inter-related they would both be referred to the Council for approval.

Item 5. Projects for Approval by the Capital Committee

CITB National Construction College

- 5.1 It was explained that Construction Skills is a non-departmental public body which now reports to DIUS, financed mainly by a levy on the construction industry and as such it cannot borrow money to finance capital investment. DIUS had referred it to the LSC to help fund the renewal and modernisation of facilities operated by its National Construction College division in rural Norfolk.
- 5.2 As well as training in heavy construction and civil engineering techniques the NCC also runs courses in scaffolding, lightening conductor tower construction, steeplejack training and other subjects not taught elsewhere in the country.
- 5.3 Most learners are on short courses lasting several weeks during which time they are given residential accommodation due to the remoteness of the college. Most of the learners are adults however 340 apprentices a year are also trained. Welfare and pastoral support and appropriate leisure facilities is important to apprentices and the college needs to revamp its residential accommodation, leisure facilities and some of its teaching and demonstration facilities.
- 5.4 The Committee felt that the project is one that should be supported, but found it difficult to measure this against any of the current criteria for costs and value for money.
- 5.5 Other funding sources have been approached including East England Development Agency (EEDA) however this is likely to raise funds only in the magnitude of tens of thousands. Other bodies may be more willing to help if the LSC shows support. £1.5million is likely to be received from land sales, however if this is not achieved then some of the leisure facilities will have to be scaled back.
- 5.6 Whilst residential accommodation and associated facilities are not normally areas the LSC would support, the Committee noted that the nearest town and bus station are both 16 miles away from the college. The college has Care Standards Act responsibilities for its 16-18 learners. It would also discourage learners from attending if there were poor extra-curricular facilities in such a remote rural area. The Committee felt that the £2.2million swimming pool might be considered a little extravagant and the case for it and the associated costs should be considered further at the detailed stage.
Decision: The Committee approved the £21.541million project proposal on an in principal basis at an indicative 80.06% (£17.245million) grant support level.

Brighton and Hove Sixth Form College

5.7 The Committee was told that this is a successful college which works with the other two colleges in the area to provide a coordinated curriculum. The other two colleges will be bringing projects forward in the next six months.

5.8 The project was considered to be an extension rather than a new build and was therefore liable for VAT. If this position changes due to alterations in the design then the costs may come down, along with the LSC contribution.

Decision: The Committee approved the £28.30million project proposal on an in principal basis at an indicative 86% (£24.338million) grant support level.

Tauntons College

5.9 This is a small sixth form college which has a particular focus on sport and music. The NEET group is exceptionally high and will be targeted to achieve the growth targets.

5.10 The existing facilities are unsuitable for the modern curriculum and growth is unachievable without this project.

5.11 The FEFC had granted aide the refurbishment of this college in 1995.

Decision: The Committee approved the £25.521million project proposal on an in principal basis at an indicative 86% (£21.820million) grant support level.

City of Bristol College

5.12 As a result of a series of mergers, the college has inherited several sites in poor condition and the project proposal was the next stage in its redevelopment programme.

5.13 The college does not feel it is in a financial position to borrow money at the normal levels and forecasts have shown that this project will put the college in significant problems if it borrowed at normal levels.

5.14 This is a large college with a large student body and income levels are expected to increase 35% over the next 10 years. However the revenue projections include inflation and the committee was concerned that the projections looked ambitious.

5.15 The normal rules would apply to this college as it is in financial group A or B, if the Committee did not follow the rules in this case it may set a precedent. The deficits would not be significantly larger if normal rules were applied.

5.16 The college is extremely nervous about their financial position at this AiP stage it is perhaps more important to give them support and a clear message to review the affordability at the detail application stage.

Decision: The Committee approved the £27.550million project proposal on an in principal basis at an indicative 32% (£8.816million) grant support level.

Hartlepool Sixth Form College

5.17 This is a highly successful college in facilities that are no longer fit for purpose. External facilities are currently being hired to accommodate some curriculum and social spaces.

5.18 There is little curriculum overlap with other providers in the area and there is support from the local authority who see this as part of their long term plan.

5.19 The growth in income is significant, and all from LSC funded growth. The figures are robust and the college is on track to meet the targets. The participation and staying on rates are consistently improving.

Decision: The Committee approved the £21.062million project proposal on an in principal basis at an indicative 86% (£18.112million) grant support level.

Cardinal Newman College

5.20 Growth has exceeded predictions for the last three years and the college is now over capacity. If nothing is done then students will be lost and the local community will be adversely affected.

Decision: The Committee approved the in-detail £10.78 7million phases 1 and 2 project proposal at the 60% (£6.424million) grant support level and the in principal application of phases 3 and 4 of the £21.062million project proposal at the 95.44% (£20.101million) grant support level.

Stoke on Trent College

5.21 This is the second phase of the college's property strategy and looks to redevelop part of the Cauldon campus. A further project to develop the remainder of the campus is expected at the end of the year.

5.22 This is now fully tendered, has received detailed planning consent and is ready to start.

Decision: The Committee approved the £11.00million project in detail proposal at the 70.5% (£7.755million) grant support level.

City College Birmingham

5.23 The college received in principal approval from this Committee in November 2006. The costs have increases slightly since then due to VAT. This is fully tendered and ready to start. Site disposal has been agreed subject to planning permission.

5.24 The Committee approved the £21.772 million project in detail proposal at the 44% (£9.579million) grant support level.

Item 6. Capital Policy Arrangements – Capital Cost Criteria Changes

6.1 The Capital Programme Manager informed the committee that the cost indicators and criteria currently in use are no longer suitable. The paper looked at what revisions are necessary and recommended the Committee implemented the proposals, which consisted of a template of cost per item at different specifications and at current market value.

6.2 The new system will allow the Committee to specify a quality of build and look at whether the costs are with a broad template based on gross rather than net project costs. The revised cost levels will be reviewed every 6 months to account for changes in current market rates.

- 6.3 Sustainability will no longer be an abnormal cost as such as the new cost levels would be sufficient for colleges to aspire to excellent BREEAM ratings for their projects.
- 6.4 It was noted that the adoption of these new cost criteria should end the recent trend of large increases between AiP and detailed costs, and other costs being moved to abnormal costs. The only valid increases after this is implemented should be building cost inflation and truly exceptional costs.

Action: The Committee praised the work and agreed to replace the existing capital cost indicators with this set of criteria

Item 7. Capital Project Support – Projects approved under delegated authority.

- 7.1 The Committee noted the projects.

Item 8. Any other business

- 8.1 The Committee considered a request from Truro College seeking confirmation that its post-merger major capital development of Penwith College would be considered for capital grant purposes on the basis of the affordability of Penwith College on a stand-alone basis. The Director of Finance & Resources (SW) informed the Committee that he estimated such a capital grant level would be somewhere in the range 75-90% of gross project costs currently costed in the order of £25-30 million within an application that would come before the Committee within three months of merger. The Committee were informed that a new policy on the capital implications of reorganisations and mergers would shortly be coming to the Committee after agreement by the LSC's Management Group and that this would be suggesting a common basis for assessing affordability in relation to LSC-instigated mergers (normally those where a college in financial health group A is effectively taking over another in financial health group C) at a minimum of a matched funding basis i.e. normally a 50% capital grant.
- 8.2 There was, however, an urgent need to provide firm guidance to Truro College on this issue as the "White File" had to be with the Secretary of State imminently in order receive consent to achieve the proposed merger date of 1 January 2008. The Committee welcomed news that a fair and consistent policy would soon be forthcoming and wished to remind Truro College that it could only consider an actual capital grant level when it had a firm application before it. In the circumstances the Committee did, however, consider it reasonable for Truro College to plan on the assumption of a capital grant rate of 50% and looked forward to receiving an Application in Principle as soon as possible after merger.

Item 9. Date of next meeting

- 9.1 The next meeting of the Committee will take place on 22 November.

Meeting chair	Norman Boyland
Minute taker	Pete Sanders
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