

# Minutes



Leading learning and skills

**Date** 14 August 2008  
**Subject** National Capital Committee  
**Location** Conference Room  
**Time** 10:30  
**LSC office** National Office (London)  
**Publication intent** Internal

## **Present**

### **In attendance**

### **LSC staff**

**Apologies** Attendees are listed at Annex A

## **Item 1. Welcome, apologies and declarations of interest**

- 1.1 The Chair welcomed the Committee and introduced Maxine Bailey Stewart, Capital Budget Manager, who would be observing the meeting.
- 1.2 The following declarations of interest were made:
  - Richard Haynes had a potential client interest in the City of Bristol College project but he had not acted for the college
- 1.3 Other members asked for their interests as Regional Board members to be recorded:
  - Alan O'Neill for the colleges in the eastern region
    - Hertfordshire Regional College
    - Great Yarmouth College
  - Ashley Winter for the college in the North East region
    - Stockton 6<sup>th</sup> Form College
    - He is also a client of the lawyers mentioned in the Hertfordshire Regional College project papers

## **Item 2. Minutes of the previous meeting on 17 July 2008**

- 2.1 The minutes were approved with the following amendments:

### **Learning and Skills Council**

8-10 Grosvenor Gardens London SW1W 0DH

T 0207 904 0900845 019 4170 F 0207 904 09104 7682 3675 [www.lsc.gov.uk](http://www.lsc.gov.uk)

- 2.2 Item 4.39 should read “The Committee agreed to approve the £30.503 million project on an in principle basis at the indicative 83% (£25.318million)”.
- 2.3 Item 5.2 should read “The Committee noted that the learner numbers appeared to be contradictory and it was impossible to interpret. However, they appear to show no overall growth”.
- 2.4 In the attendance list it states that Terry Dabbs attended the meeting he is no longer a member of the Committee.
- 2.5 The minutes also stated that David Russell was a Committee member.

### **Item 3. Matters arising**

- 3.1 Philip Head updated the Committee on the Isle of Wight application which had previously been presented at the June meeting.
- 3.2 The Committee had asked for a review of the college’s preferred option as it involved the demolition and replacement of buildings provided at a cost of circa £9million with 35% LSC grant support having been, approved by the FEFC in 2000.
- 3.3 A review team of design and cost professionals had been appointed and the preliminary findings were that most of the recently constructed buildings could be retained but this needed to be discussed with the college and its consultants. It is hoped that this project will come back to the September Committee meeting.
- 3.4 The South East Regional Board had asked that the Committee be updated of the South Kent College project.
- 3.5 The Committee had approved an in principle application in March 2006. Since then the local LSC has been working with the college to address serious management and financial issues. An OfSTED inspection in June 2008 had found the college to be inadequate with insufficient capacity to improve and the college is now considering a merger. The project had, therefore, been cancelled. A new project application at Ashford is likely to be put forward in due course.
- 3.6 Philip Head updated the Committee on the ministerial letter “Developing the LSC Capital Strategy” dated 16 July and the reply from Chris Banks of 31 July following the July Council meeting.
- 3.7 After much discussion at the last two Council meetings it was agreed that the LSC would extend eligibility for capital funds to support training providers’ and companies’ facilities that are being used for publicly funded training.
- 3.8 A Regional specialisation fund will be the principal vehicle for this funding although a few external providers might also seek project grant funding/
- 3.9 It was agreed that Philip Head to report back to the committee at the September meeting.
- 3.10 Members queried the funding of projects agreed now but that would be funded after 2010. David Russell confirmed that the capital budget and inherited commitments post 2010-11 would assumed by the LSC’s successors.

## **Item 4. Capital Project Support – Projects For Approval by the Council**

### **Bradford College**

- 4.1 The Capital Committee noted that this proposal comprises Phase 2 of the college's property strategy and is for the renewal of the majority of the city centre campus. It follows the successful completion of the phase 1 development due to open in September 2008.
- 4.2 The total project cost is £128 million with a grant support requested of 78% (£99.88 million).
- 4.3 The total project costs equates to £2,944 per m<sup>2</sup> for the new build and £1,394 per m<sup>2</sup> for refurbishment. The new build is currently £207 per m<sup>2</sup> over the LSC cost benchmark however these are considered exceptional costs by the nature of the city centre site. Members agreed that the college should investigate cost reductions before the detailed application is considered.
- 4.4 The Capital Committee was concerned that the college's learner numbers and financial forecasts were extremely conservative, given the extent of capital investment proposed, to the extent that it would be difficult to accept a detailed application until the college had completely reviewed its forecasts and provided more realistic projections.
- 4.5 The committee decided, therefore, to agree to recommend the project on the basis of a provisional notional grant rate of 50% (for fee support purposes) pending the resubmission of revised financial and learner number forecasts in the autumn. This project should be resubmitted for AiP once all the issues have been addressed
- 4.6 Members noted that other funding bodies such as Yorkshire Forward and the local authority were not investing into this project which was a major part of the regeneration of Bradford. They asked that this be looked into further before the detailed application was brought back.

**Decision:** The Committee agreed to endorse the £128.06 million project on an in principle basis for approval by the National Council at an indicative rate of 50% (£64.03 million) grant support. In addition the Capital Committee requested the Council to delegate authority to it to agree a revised grant rate, if appropriate, once the revised forecasts have been considered.

### **Stoke on Trent College - In Principle**

- 4.7 The college is seeking approval in principle for the final phase of its three phase property strategy.
- 4.8 Stoke on Trent College operates from two main sites. The Cauldon campus forms part of the city's university quarter regeneration area and the Burslem campus which includes a sixth form centre run in partnership with the City of Stoke on Trent 6<sup>th</sup> Form College.

- 4.9 Phase 3 comprises the redevelopment of the remainder of the Caudon campus and the Burslem campus and development of shared facilities as part of the University Quarter.
- 4.10 The total project cost is £96.288 million with the college planning to have long term borrowings of £10 million, short term borrowings of £10 million, £5 million contribution from University of Staffordshire, disposal proceeds of £1.441 million and LSC grant support of £79.823 million.
- 4.11 The Chair congratulated the college on this project proposal.
- 4.12 The Committee raised concerns about two projects being undertaken together and the effect this will have on learners. The two detailed applications were hoped to come back in September 2009 but realistically they are more likely to come forward separately.
- 4.13 The Committee were pleased to hear that the college had been able to gain funding from other sources such as local authority and the West Midlands Development Agency.
- 4.14 Members questioned the lease arrangements of the buildings. The University would own the freehold but the college have long term leasing rights and exclusive possession. Learners will have access via campus wide swipe cards to any buildings in the university quarter.
- 4.15 Members were content with the predicted growth in learner numbers.
- 4.16 Members were reassured to learn that building so close to the canal should not cause problems. The college had shared its proposal with British Waterways.

**Decision:** The Committee agreed to endorse the £96.29 million project on an in principle basis for approval by the National Council at the indicative rate of 83% (£79.82 million) grant support.

### **Great Yarmouth College - In principle and Detailed**

#### **In principle application**

- 4.17 Members were informed that the college has put forward an in principle application for redevelopment and extension of college campus and other facilities that will result in renewed purpose built facilities with an area of 19,855m<sup>2</sup>.
- 4.18 The college has bid for funding of £600,000 from EEDA and £1,400,000 from University Campus Suffolk.
- 4.19 The Committee asked how the funding from EEDA and University of Suffolk but this could be guaranteed as yet. If the college received in principle support from LSC this would help reassure the other potential funders.
- 4.20 The Committee raised concerns over decanting at Phase 2 but members were reassured by the college's plan to use buildings in phase 1 to help with this.
- 4.21 The Committee felt that the predicted 16-18 growth was very modest. The college anticipated growth after Phase 2 of the project was completed.

### **Detailed application**

4.22 Application for detailed consent for the development of a construction centre and a Performing Arts Centre.

4.23 Members felt that the phasing of this project would help college finances.

**Decision:** The Committee agreed to endorse the £37.38 million project on an in principle basis for approval by the National Council at the indicative 80% (£29.82 million) grant support rate and the £9.981 million phase 1 proposal on a detailed basis with £5.2 million grant support and £4 million of long term secured borrowing.

### **City of Bristol – South Bristol Skills Academy - Detailed**

4.24 The college proposes to establish a skills centre in South Bristol on a Greenfield site within the Hengrove Park regeneration area of the city.

4.25 Since incorporation the college has merged four times and is now the pre-eminent FE provider in Bristol.

4.26 The LSC SW Regional Board had fully endorsed this project but asked the college to reconsider the proposed level of borrowing. The re-submitted financial information revised the long-term borrowing from 25% of income to 28% therefore reduces the grant level from 32% to 26%.

4.27 Members agreed that this project had huge potential for the college and noted that the college has a strong management team and had already appointed consultants to undertake this work.

4.28 Grant support will help college finances and the South West regional team will keep a close eye on the college's financial situation.

**Decision:** The Committee agreed to endorse the £31.63 million project on a detailed basis for approval by the National Council at the indicative 26% (£8.22 million) rate of grant support. The college team must work with the LSC to improve the financial performance beyond 2012. The college will be prevented from bringing forward any other projects until the situation is resolved.

### **Item 5. Hertford Regional College – Cost Overrun**

5.1 Paul MacGuire, Regional Finance Director for Eastern region briefed the Committee before the college's representatives were invited to join the meeting.

5.2 The college was seeking a decision from the LSC as to whether or not it might provide up to a further £11 million to enable it complete the original project proposals. If not it would not be able to start and complete the second phase of the proposed development in Ware.

5.3 The college's Principal confirmed that the additional costs had been caused by the college becoming involved in a long running dispute involving two inter-related factors; firstly a recommendation to use a proprietary concrete flooring system called Bubbledeck which had failed to get Building Control approval and, secondly, that the college's original contractors, AMEC, had sold their contracting business. Morgan Ashurst which had bought these

contracts had disputed the existence of the contract, which had not been signed before the AMEC sale despite it continuing to pay the design consultants whose appointments were supposedly novated to the contractor. Work had stopped on both the college's Ware and Broxbourne sites last November.

- 5.4 The college had engaged disputes resolution experts, Navigant Consulting, which had negotiated with Morgan Ashurst to resolve the disputes. The cost of restarting the project, removing the existing floor, adjusting the piling, carrying out and implementing redesign together with building cost inflation had been agreed at £13.25 million plus VAT of which Morgan Ashurst had agreed to absorb £4 million. This left the college to find the balance and to consider the extent to which it could claim redress against its consultants although, for the design and engineering consultants it appeared that this was restricted to that period before the consultancy contracts were deemed to be novated to Morgan Ashurst.
- 5.5 The Capital Committee considered several alternatives as to how to proceed but members were concerned that they could be seen as setting a precedent if the committee simply agreed to fund the cost overrun.

**Decision:** The Capital Committee agreed to require the college to submit a separate application for Phase 2 at Ware later in the year subject to the conditions that the Eastern Regional Board had previously recommended as follows:

- a. the college should provide an updated analysis of the position of all the parties involved in the "Bubbledeck" and contractual issues, whether or not the existing appointments are being continued and with confirmation as to what, if any, action has been taken, or is planned to be taken against these parties to recoup the abortive costs, based on appropriate legal advice including counsel's opinion as appropriate,
- b. the college should prepare a risk mitigation strategy to ensure these circumstances do not reoccur,
- c. the college's governing body should commission an independent review of its role and possible complicity, if any, in these matters. It is suggested that this could be carried out under the auspices of the College's internal auditors in the first instance; and
- d. the college should produce a robust project management plan that details the management (particularly taking into account the impending departure of the Principal and Vice Principal Finance) and governance for the existing and proposed projects going forward.

## **Item 6. Applications for Approval by the Capital Committee**

### **South Devon College – In principle**

- 6.1 The college is requesting in principle approval for its latest proposal to expand the college's facilities total £20.23 million project cost.
- 6.2 Included within this project cost is the £983,000 Adult Safe-guarded Learning proposal already approved by the Committee in June 2008.

- 6.3 The Committee praised the college on the success of the college's previous projects.
- 6.4 Predicted student growth figures were large and the college had attracted high volumes of additional participation since moving to its new facilities.
- 6.5 Members raised concerns that the some of the forecasts in the regional board report did not match those made in financial assessments attached to the report to the Committee.
- 6.6 Finance colleagues were concerned that the 07-08 borrowing figures were high. The last project the college finished did overrun on cost and it was agreed that all of the colleges learner number and financial forecasts would be reviewed with the college before the detailed application comes forward for consideration.

**Decision:** The Committee approved the £20.236 million project on an in principle basis at an indicative rate of 65.5% (£13.253million) grant support. As well as requiring a review of learner number and financial forecast, the Committee also asked that the phasing be clarified before the application comes back at a detailed stage.

#### **Stockton 6th form College – In principle**

- 6.7 The college has an excellent reputation for its curriculum offer and the standards that it achieves with some 70% of level 3 students going on to higher education. It was now the only college in the Stockton area that had not had its estate renewed.
- 6.8 The Committee has recently approved projects in neighbouring Stockton Riverside and Bede Colleges so the college would be extremely vulnerable if this scheme does not go ahead.
- 6.9 The Committee agreed that this appeared to be a well thought through project proposal and was impressed to learn that a sixth form college was proposing to invest £2.95 million from its reserves in the project.

**Decision:** The Committee agreed to approve the £21.227 million project on an in principle basis at an indicative rate of 77.5% (£16.449 million) grant support

#### **Merton College - Detailed**

- 6.10 The Council granted in principle capital support for the two phased completion of Merton College's property strategy in November 2007.
- 6.11 The detailed application for the phase 1 project involves the construction of a new build area for engineering.
- 6.12 The new build has a number of exceptional costs due to the high costs of substructure, frame, space heating, air treatment and ventilation plus electrical installation.
- 6.13 The college has detailed planning approval but planning conditions however require the college to include a biomass boiler on top of the recently installed boiler system. The college is also required to provide a "green roof". These conditions incur additional costs.
- 6.14 The Committee agreed that the college should challenge these conditions.

**Decision:** The Committee agreed to approve the £11,946 million project on a detailed basis at a grant support rate of 88% (£1.434 million)..

**Item 7. Capital Project Support – Projects Approved under delegated authority since 17 July 2008**

7.1 The Committee noted that projects for the following projects had been approved under delegated authority:

**FE Colleges**

- West Thames College
- Croydon College
- West Thames College

**16-19 Capital Fund Applications**

- Waseley Hills High School
- Lodge Park Technology School
- Lincolnshire Wolds College
- Reepham High School
- St Josephs College
- Cheletenham Bournside
- The Guru Nank Sikh Secondary VA School
- Oakgrove School
- Hazeley School
- Kirk Hallam Community Technology College

**Item 8. Any Other business**

8.1 There was no other business.

**Item 9. Date of Next meeting**

9.1 Philip Head reported that it was hoped that the date of the next meeting – 23 September could be changed as neither he nor Alastair Grindlay could be present. A revised meeting date would be canvassed.

## **Capital Committee – 14 August 2008 - Attendees**

### **Members Attending**

- Norman Boyland
- Richard Haynes
- Alan O'Neill
- Ashley Winter

### **Apologies for Absence**

- Paul Jagger
- John Bull
- Mike Collier
- George Sweeney
- John Taylor
- Lynne Morris

### **Item 4 – Capital Applications for Approval by the Council**

#### **1 Bradford College**

##### **College**

- Michele Sutton – Principal
- Andy Welsh – Executive Director of Corporate Services
- Doug Stott – Executive Director of Finance

##### **LSC**

- Angela Dobson – Partnership Director
- Richard Hoyle – PMFD
- Mike Green – Regional Property Advisor

#### **2 Stoke on Trent College**

##### **College**

- Graham Moore – Principal

##### **LSC**

- Val Tomlinson – Partnership Director

- Christine Doubleday – Area Director
- Chris Knight – Regional Finance
- Debbie Callaghan – Regional Finance Director

### **3 City of Bristol College – South Bristol Skills Academy**

#### **LSC**

- John Chudley – Area Director
- Mark Harvey – Regional Property Advisor

### **4 Great Yarmouth College**

#### **College**

- Robin Parkinson - Principal
- Roy Hughes

#### **LSC**

- Alan Searle – Regional Finance
- Paul McGuire – Regional Finance Director
- Keith Felgate – Regional Property Advisor
- Rory Robertshaw – Partnership Director

### **Item 5 – Hertford Regional College**

#### **College**

- Paul Harvey
- John Glover
- Mike Carver
- James Leng – Advisor

#### **LSC**

- Alan Searle – Regional Finance
- Paul McGuire – Regional Finance Director
- Keith Felgate – Regional Property Advisor
- Jeff Wren

### **Item 6 – Capital Applications for Approval by the Capital Committee**

#### **South Devon College**

#### **LSC**

- Mark Harvey – Regional Property Advisor
- Mike Croker - PFMD
- Denis Miles – Regional Finance Director

### **Merton College**

#### **LSC**

- Pravin Parmar – Senior Property Advisor
- Basheer Dilmohammed
- Don King

#### **Other LSC Staff**

- David Russell  
Philip Head
- Denis Miles
- Alastair Grindlay
- Judith Wilson
- Liz Adcocks (clerk)
- Maxine Bailey-Stewart (observer)