

# Minutes



Leading learning and skills

<b>Date</b>	17 August 2009
<b>Subject</b>	Capital Committee
<b>Location</b>	Centre Point, London
<b>Time</b>	10:00
<b>LSC office</b>	National Office
<b>Publication intent</b>	INTERNAL DOCUMENT

**Present** See Annex A

## **Item 1. Welcome and introductions**

- 1.1 The Chair welcomed the members and invited guests and thanked everyone for their attendance. The apologies were noted.
- 1.2 It was noted that all the regional representatives had an interest in the projects in their area with the exception of Chris Paveley, as there are no projects in the East of England region. The following declarations of interest were also made:
  - Richard Haynes for the Flybe project, his firm acts for Exeter airport who will be selling land for this project.
  - Maggie Galliers as Principal of Leicester College, who have a project just below the threshold for funding.
  - Bill Rutter is the Chair of Cheshire Strategic Task Group who worked with West Chester College to finalise the project.

## **Item 2. Minutes of last meeting**

- 2.1 Corrections were made to typos in paragraphs 3.3, 3.5 and 4.8. Richard Haynes was incorrectly recorded as being present.
- 2.2 The minutes were approved subject the above alterations being made.

## **Item 3. Matters arising**

- 3.1 The Committee was made aware of recent changes to the governance structure. The National Council has delegated many of its powers to three new Committees: the Young People's Learning Agency Committee (YPLAC), the Adult Skills and Apprenticeships Committee (ASAP) and the Chairs Committee.

### **Learning and Skills Council**

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3.2 The National Council will now not meet until November, and will probably only meet two or three more times before the end of the LSC in April 2010. This Committee will now report to the Chairs Committee however the outcomes from this meeting will be sent to all National Council members for approval by correspondence.

3.3 There is still some discussion on how the budget will look going forward, there is currently no DCSF assumption or agreement from 2011 onwards.

#### **Item 4. Skills and Specialisation**

4.1 The National Council had delegated authority to this Committee to enable them to consider skills and specialisation programmes. and to approve projects and capital grant allocations.

4.2 The budget and policies have changed since last year, particularly around Neighbourhood Learning in Deprived Communities (NLDC), Personal Community Development Learning (PCDL) and sustainability. There will not be a further round of PCDL projects in 2010-2012, and NLDC has not been offered for 2009-10. The match funding that was available for sustainability through the Salix programme in 2008-09 will not be offered at this time, however it is expected that any future capital projects are based – where appropriate – on the BREEAM ‘excellent’ standards.

4.3 The total funding for Skills Capital Projects has been reduced to £54 million over this year and next, however it is expected to be sufficient for the first round of applications.

4.4 The Committee were informed that Regional Skills Capital Development Projects (RSCDPs) will be coming forward in October. Of the 133 projects invited to submit detailed applications 27 have since withdrawn and others would not be recommended. Those remaining will need consideration by this Committee. A sensible approach will be needed as it will be impossible to give suitable consideration to such a large number of projects in one meeting, however the Committee recognised that the published timescales must be adhered to.

**Action: Proposals for the scrutiny process should be drawn up and agreed outside this meeting. Phil Head will propose processes for Norman Boyland to consider.**

4.5 The Committee members were reassured that there is sufficient budget available for the two projects being presented.

#### **Flybe**

4.6 This project aims to establish a national training centre for the airline industry including over-training for companies across the whole spectrum on the industry including aircraft maintenance, cabin crew, pilots, customer care and related travel skills.

4.7 Flybe do not currently receive any LSC funding but will be from September, the company already offers much training and was of the first employers to become an Awarding Body for the company’s own approved qualifications through QCA.

- 4.8 This is a relatively complex project with a lot of cooperation from other bodies.
- 4.9 There are no learner numbers in the papers however learner days increase from 17,619 in 2009/10 to an estimated 35,461 in 2014/15. The assumption of providing over-training is valid.
- 4.10 There is a great deal of support for this project however members were concerned about safeguarding the investment in the event of Flybe being taken over, or going into administration. There will need to be a new type of contract with safety clauses in order to protect the LSC investment as far as possible, and to ensure training will cover the whole sector, not just Flybe staff.
- 4.11 There is an element of risk as this is a new area for the LSC, the safeguards will be crucial. The project passes all the normal criteria and is an excellent project. The risks are little different to other projects involving private companies, such as several of the Centres of Vocational Excellence projects. The LSC legal team will be asked to review the contract and ensure that the safeguards are robust.
- 4.12 The grant letter must state that VAT will not be treated as an eligible cost.  
**Decision:** The Committee approved the £21.9million (excluding VAT) detailed project proposal at a grant support rate of 19.5% (£4.3million).

**NSA for Construction/LB of Waltham Forest - Cathall Road**

- 4.13 This project will be one of the Construction Skills Hubs, and has returned to the Committee at almost identical costs to those seen at AiP stage. This project is crucial to the Olympic bid and the associated infrastructure that will be built.
- 4.14 Many other sources of funding have already been secured for this; the LSC will be giving the funding to the London Borough of Waltham Forest, who will own the facility.
- 4.15 The land is currently leased for 10 years but there is strong support that this will be a permanent hub. EDF have a break clause in the contract whereby they can reclaim the site in 5 years time. The London Borough will be able to claim compensation and the successor body to the LSC will also be able to clawback some funding. The level of clawback is yet to be confirmed.
- 4.16 Crossrail are not expected to consider the site until 2035, the LSC expects that the site should be used for the hub for at least 25 years.
- 4.17 Members agreed that the project should go ahead, but that safeguards around the longevity of the facility must be in place before approval can be given. It was also noted that any further slippage will impact on the ability of the facility to deliver training in time to benefit the Olympics.
- 4.18 The procurement tender had previously expired, but has been extended at the same costs. Preparatory work has already been done at the site in terms of providing access roads and electricity.  
**Decision:** The Committee did not approve the project, but agreed to review the proposals again out-of-Committee once the break clause and clawback issues have been resolved.

## **Item 5. Projects for Approval by the National Council**

- 5.1 Paul McGuire, the LSC National Director of Finance introduced the paper which aimed to reassure members that the funding is available for the 13 projects that will be considered today.
- 5.2 Paul gave the Committee an overview of the entire capital budget and confirmed a total of £2.724billion of funding to 2013-14 with total commitments of £1.966billion, although the fee support figure might be less than the estimates.
- 5.3 Approximately £35million will be set aside towards helping colleges in financial difficulties because of incurring abortive development costs. Such colleges will be identified from the audited draft financial statements which will be available in September and October ahead of their final year-end accounts which are due by 31 December. The £35million will be used to prevent colleges going into financial difficulties as a result of their abortive costs.
- 5.4 The Committee was reassured that the finance is available going forward and that £483million is available today for decisions to be made. It was noted that projects can be recommended today at the agreed intervention rates, but there will be no additional funds available to these colleges if there are any as yet unforeseen expenses. Additional expenditure will have to be covered by the college.
- 5.5 £30million out of a possible £35million of the Skelmersdale project have been included as part of the risk assessment. Members were reminded of the history behind the Skelmersdale and Ormskirk project, and the merger with Newcastle College. Incorrect advice given to the college at the regional level has left the LSC in a position where it is legally obliged to fund the project. This is the only college in this unique position. Geoff Russell and David Hughes have met the college.
- 5.6 A member commented that it appears that Newcastle College have had benefits in the merger that were not extended to other prospective merger partners, and, if those benefits had been open to all prospective partners then the outcome of the merger may well have been different.
- 5.7 There are currently no judicial reviews underway regarding the funding of any of the capital projects although it was likely that one college would continue to pursue this route. LSC's counsel's opinion indicates that the chances of successfully defending such judicial reviews should any come forward later are good.
- 5.8 It was noted that several projects being considered exceeded the guideline of 30%-40% borrowing as a percent of income. It was confirmed that this is only a guideline and the overriding criteria is affordability. All colleges have been looked at on a case-by-case basis for affordability and there is no longer a one-size-fits-all approach to borrowing.

### **Leyton Sixth Form College**

- 5.9 Leyton Sixth Form College is one of two sixth form colleges in Waltham Forest. The locality is one of significant deprivation with four wards among

the most deprived 10% in the country and great cultural diversity; around 55% of the school age population are from ethnic minority groups.

- 5.10 In November 2008 the college completed its enabling works in preparation for the commencement of the main redevelopment scheme. Approximately 60% of the college's curriculum, together with key support areas such as the library, have been decanted into 4,149m<sup>2</sup> of rented portacabins located on the college's sports field.
- 5.11 The Regional Council has seen this revised project and is happy with the proposals, as are the College Governors. Borrowing will be at 47.8% of income in the third year after the build however regional LSC colleagues and the college are confident that this is an affordable level.
- 5.12 There has been a significant increase in learner numbers already, in the past five years learners have increased 35%. The projected learner numbers are relatively flat however the demographics in the area are already starting to show a decline in the cohort. The NEET group remains high.
- 5.13 The project management is done in-house by the Director of Finance, with external support from an experienced project manager. There were no concerns over the ability of the project management team to deliver this project.

**Decision:** The Committee agreed to endorse the £36.284million detailed project proposal for approval by the National Council at the 87% (£31.566million) grant support rate.

#### **South Thames College**

- 5.14 This detailed application comprises the refurbishment of a grade II listed building at the college's Wandsworth campus. The building extends to 8,081m<sup>2</sup> of accommodation and was constructed in 1927. The implication of the building's listed status on the refurbishment proposals is that no alterations can be made to the external fabric of the building and where this fabric requires refurbishing it is to be replaced on a like for like basis.
- 5.15 This is phase 3; phase 4 will no longer be going ahead. The college must be out of the building for disposal by the end of the year in order to fulfil the requirements of the disposal. This is achievable but will rely in part on temporary accommodation.
- 5.16 The college and its design team have had extensive dialogue with the Borough Council's design and conservation officers over this project. To maximise cost effectiveness the college has been proactive in challenging the scope and scale of works required by the conservation officers and in negotiating the specification of materials to be used in the refurbishment. The college has agreed an overall package of works based on a "hierarchy of importance" which identifies those elements of the building which are regarded as "essential to keep" and those elements where "concessions for the greater good" of the project can be made.
- 5.17 The college Governors have approved the project and are confident that the cost savings will not adversely affect educational standards.

- 5.18 The contractor's costs are reasonable under the circumstances and the college has a contingency fund in place as refurbishments of listed buildings often result in unforeseen costs. There is a small increase in the risk of flooding by not extending the attenuation tank.
- 5.19 The paper in paragraph 24 indicates a lot of work will be done to increase the learner numbers, yet the actual growth predicted in the tables is very little. Members were informed that the discrepancy is largely down to funding, and that much of the growth will not be LSC funded and are therefore not included in the tables.
- 5.20 The learner numbers are appropriate for the size of the college and there is considerable opportunity for the college to increase their income. It is believed that the college may be able to return to satisfactory financial health sooner than forecast.
- 5.21 The merger with Merton College has already been approved and the solicitors have completed the due diligence which only highlighted a few risks to be addressed by the merged entity.
- Decision:** The Committee agreed to endorse the £26.462million detailed project proposal for approval by the National Council at the 90% (£23.816million) grant support rate.

#### **St Helens College**

- 5.22 The Committee was reminded that St Helens College is a large general FE college with significant HE and work based learning provision. The existing estate comprises three main campuses; the Brook Street Campus situated in St Helens town centre, the Technology Centre nearby and Newton Campus five miles away. The estate totals 52,470 m<sup>2</sup> of accommodation and the majority of this is at the Town Centre Campus, comprising three buildings: the Brook Street Buildings, the SmithKline Beecham Factory Building and the recently refurbished SmithKline Beecham listed building.
- 5.23 Phase 1 has already been completed, this project is the second and final phase. If this phase was not completed there would be serious issues with the estate due to duplicate facilities and dilapidated buildings with concrete decay.
- 5.24 The Regional Council has scrutinised the project and are advised on the cost savings. The costs are realistic and the cost per square metre has been reduced as far as possible. The space norms are above the normal parameters but this is a legacy of the inherited SmithKline Beecham accommodation and there is no option but to keep it as it is.
- 5.25 Members were told that it is a good college with good leadership and there were no concerns over the ability of the management team to deliver the project.
- Decision:** The Committee agreed to endorse the £24.848million detailed project proposal for approval by the National Council at the 70.0% (£17.394million) grant support rate.

### **West Cheshire College**

- 5.26 There has been limited scope for West Cheshire College to revise its capital project because this was already a revised scheme following failure to obtain planning permission for the original proposal to relocate the Chester campus to the City Centre. Having obtained planning permission for the revised plans to remodel its existing campus in Chester just prior to local government reorganisation in Cheshire, there is limited scope for further changes to the proposals, which are on the brown field footprint of the college within greenbelt areas on both campuses.
- 5.27 Enabling work has already been carried out to the full extent allowed by the LSC under the terms of the agreement in principle. This work was urgently needed in order to resolve several health and safety issues and the schedule of work was carried on to minimise future risks. The works have not impacted on the prioritisation of this project, but has put them in a difficult position to negotiate down costs with the contractors; for example the steel has already been delivered.
- 5.28 The costs are as low as possible and are well within the cost model. Any further reductions would impact on the educational delivery. Other sources of funding were investigated but little was forthcoming.
- 5.29 The land for disposal has been marketed five times with little interest. The only section that can be sold is a small area of brownfield land. The college must be obligated to sell the land within a set period, possibly 3 years, with the LSC clawing back the entire amount up to the value of the land stated at the agreement in principle stage. Any money received above that value should be split 50:50 between the college and the relevant LSC successor body.

**Decision:** The Committee agreed to endorse the £66.517million detailed project proposal for approval by National Council at the 75.5% (£47.872million) grant support level. The receipts from the land sales should be clawed back by the LSC up to the estimated values as stated in the December 2007 papers. Any additional money should be split 50:50 between the LSC and the college.

### **Furness College**

- 5.30 Furness College's existing campus is located at Channelside just off the main arterial approach to Barrow. The college has a recently constructed £5 million Learning Resources Centre and administration building and £850,000 plumbing building. The remainder of the estate is in very poor physical condition. Major defects include corrosion of the steel frames and metal cladding caused by the maritime climate which is estimated to cost £7.85million to repair.
- 5.31 The college's proposal is to remain on the Channelside campus, retaining the more recent buildings, remodelling the Learning Resources Centre and administration building and renewing the remainder of their estate with a new build of 13,609 m<sup>2</sup>. The new frame will be made from galvanised steel to avoid the corrosion seen in the current building.

- 5.32 It was noted that the Learning Resources Centre which needs remodelling was only built approximately seven years ago, however this was before colleges were required to have property strategies.
- 5.33 NWRDA has confirmed that they will not be funding this project, however NW RDA already funds the University of Cumbria, who in turn are funding part of this project.
- 5.34 Members were informed that the outstanding items mentioned on page two of the report have now been completed; the College Corporation have approved the scheme at the recommended values, and Lloyds Bank have confirmed the borrowing.
- 5.35 Borrowing is at 44.7% of income in the third year after the build, however the college is confident that the income will be achieved and that the borrowing levels will be manageable. There are several potential cut-backs that have been identified if cost cutting becomes necessary later.
- Decision:** The Committee agreed to endorse the £40.725million detailed project proposal for approval by the National Council at the 78.5% (£31.967million) grant support rate.

### **The Manchester College**

- 5.36 The Manchester College is a large general FE college that operating from 28 locations in the City of Manchester. It came into being on 1 August 2008 through the merger of Manchester College of Arts and Technology (MANCAT) and City College Manchester.
- 5.37 The college has also submitted detailed applications for North Manchester Sixth Form Centre Phase 2 and refurbishment of the vacant Fielden campus neither of which now qualifies for LSC support on affordability grounds nor are being considered for approval under the Chief Executive's delegations having been ratified by North West Regional Council. In assessing the affordability of the Brownley Road project the College has assumed that the smaller projects will receive the LSC's Chief Executive's approval without any further grant and have incorporated the costs of all the schemes within their forecasts.
- 5.38 There was a robust discussion at the Regional Board meeting around funding levels. This is part of a much larger property strategy across Manchester and critical to the provision in many deprived areas. The Committee was informed that the College is around seven times the size of an average college and it had requested that this should be considered as a special case.
- 5.39 The Committee was only being asked to consider the Wythenshawe project however members considered there was little in the papers to show how this project is impacted by the other two. It was noted that other colleges have excluded other project costs from their proposals and financial forecasts. The Committee were also reminded that on multi-phase projects the colleges are normally required to borrow the maximum for the initial phase, with grant support adjusted in the subsequent phases to reflect the financial position at that time.

5.40 The College requested that OLASS be removed from the forecasts, however only the income has been removed, not the spending. Members were extremely concerned at the size of LSC grant the college were requesting and noted that the borrowing levels were not in line with those of other colleges. The college has been asked to consider higher levels of borrowing and revisit the income assumptions in order to reduce the level of grant support requested. However the college remains of the view that this is the minimum support required and that to increase borrowing above the levels submitted or build in income growth other than for the specific projects carries undue risk.

5.41 The Committee was concerned about the land acquisition; residential values are not applicable at all to the site, and that reducing the residential value by 30% to reflect the restrictive covenant is arbitrary and does not give the true value of the land.

**Decision:** The Committee was not in a position to endorse this project. Members felt that the issues of the grant support and borrowing levels, and of the site valuation must be urgently addressed. Borrowing must be brought into line with the other projects being considered today. The Committee also warned that the de-minimis grant may not be applicable to this project.

5.42 The Committee recognised the impact of this project on other projects and urged the College to address the issues as soon as possible; members will reconsider the decision out-of-Committee.

### **Barnsley College**

5.43 The Committee were reminded that this college's project follows essentially the scheme as approved in principle and the previous detailed phases already approved to date. This phase sees the completion of the college redevelopment of the Old Mill Lane campus with a new building of 18,030m<sup>2</sup> which represents the major provision for the college. Block A was vacated into temporary accommodation in Block B and was demolished in January 2009 which was within their remit but was against the advice of both the LSC and their advisers. The remaining block B will be demolished on completion of the new build and will be the external social space.

5.44 Phase 2 is currently at RIBA stage D/E with a guaranteed maximum price and the total project cost eligible for LSC support amount to £45,854,685. The costs are consistent with the overall Approval in Principle and represent a reduction of £9.34million on the figures submitted in the detailed application in November 2008.

5.45 The sale of the land has not yet been completed, but there is only a very slight risk of this not going through. Strata Homes has a retained interest on the site and there is no requirement to build affordable housing in the development, which makes it a very attractive site.

5.46 Learner numbers have grown massively in recent years, but the cohort will start to decline after this year. Delivery methods will also change in the new building which explains why the Standard Learner Numbers and Guided Learning Hours do not increase at the same rate.

- 5.47 The level of borrowing will be challenging but affordable. There is great confidence that the levels of income are realistic and achievable. This will not push the College beyond their means. Cost savings can be made if necessary. It was noted that as this is the third phase, borrowing was maximised over phases one and two and there is a limit to the amount that the College can borrow for this project.
- 5.48 The employer links are very good and the Train to Gain programme was very successful until the LSC budget constraints forced the college to cut back in this area.

**Decision:** The Committee agreed to endorse the £45.86million detailed project proposal for approval by the National Council at the 84.5% (£38.75million) grant support rate.

### **Kirklees College**

- 5.49 Kirklees College was formed from the merger of Huddersfield Technical College (HTC) and Dewsbury College in August 2008. The college is the largest provider of learner responsive FE in West Yorkshire and the main provider of vocational education and training in the district. This development is controlled by Strategic Sites Ltd and the project is part of a wider development and regeneration scheme.
- 5.50 Members were reminded that the indicative rate of 63% was approved based on the merged college financial projections, equating to £56.03million. At AiP the developers profit was 9.9% which received some comment from the Committee.
- 5.51 The Local Authority currently own the site, which is the only suitable site, and sought a partner for a mixed use regeneration scheme which offered the developer the opportunity to acquire any surplus land. Strategic Sites Ltd were chosen as the development partner to assemble the site and deliver the scheme. The College has agreed to complete a development agreement with Strategic Sites for the construction of the Waterfront Campus and, on completion, enter into a 999 year lease at a peppercorn rent.
- 5.52 The Local Authority has also agreed to buy the Ashbrow site for £4.0million, which is £2.2million above current market value. This goes someway to offset the developer's profit, but not fully. It was also noted that the developer appears to have no risk for their fee.
- 5.53 Members agreed that the project represented value for money, however the developer's fee must be reduced from the current levels to a figure around £2.0million to £2.5million. Any impact a reduction has on the level of grant support can be factored in later and approved by Chris Banks.
- 5.54 After the merger the management team changed, however the Principal remained the same. The management team will be recruiting additional project management, and there is already a Director on the Board with relevant experience.

**Decision:** The Committee agreed to endorse the £85.031million detailed project proposal for approval by the National Council at a maximum 64% (£54.420million) grant support level. The developer's profit must be reduced

to between £2.0million and £2.5million; the grant support level will be recalculated pending the outcomes of the negotiations with the developers.

### **Hartlepool Further Education College**

- 5.55 Hartlepool College of FE is the major provider of post-16 education and training in the area. In 2006 the college was named by the Adult Learning Inspectorate as one of the best providers and one of only 15 highly achieving colleges in the country.
- 5.56 The College is fundamental to the regeneration of the town. The condition of the current estate and presence of asbestos earned a high score on the PriceWaterhouse Coopers ranking exercise.
- 5.57 Learner numbers are at the same levels as at AiP stage, the Regional Council is very supportive of the project and since the Committee last saw these proposals the College have secured some funding from other sources.
- 5.58 The high levels of borrowing were a concern to members however the College is confident that efficiency savings can be made. The current estate is costly to maintain and staffing costs are also well above normal levels, both can be rationalised after the project is completed.
- Decision:** The Committee agreed to endorse the £51.308million detailed project proposal for approval by the National Council at the 76% (£38.994million) grant support level.

### **Sandwell College**

- 5.59 The college proposes to dispose of its three existing campuses, which are all ageing, very space inefficient and unsuitable for modern curriculum delivery, and consolidate all of its provision onto a single new site in West Bromwich. The new building will provide a gross internal area of 25,328m<sup>2</sup>, replacing the current college area of 38,202m<sup>2</sup>.
- 5.60 The college has secured funding of £9million from AWM, however, there is a risk that this would be withdrawn if LSC approval is not granted soon.
- 5.61 The condition of the estate is putting a huge strain on the finances. Cash flow modelling has been very detailed and there is a long history of good relations between the bank and the College, and whilst the bank is yet to formally commit to the loan, there is a strong belief that the bank is very supportive of the project.
- 5.62 Educational standards had to be improved before this project could be started. There is now an Ofsted report that confirms the necessary improvements have been made. Employer engagement is now very successful.
- 5.63 The section 106 agreement that was imposed as part of the planning consent has now been completed. Costs have been negotiated down as far as possible and now stand at £1.053million.
- 5.64 The cost savings in regards to the PriceWaterhouse Coopers exercise are misleading as the majority of the savings were made before the exercise began and thus only show a 1% price reduction. The costs have actually reduced by approximately £8.3million from the highest level and the grant support has fallen by £17.3million from the highest level.

5.65 The Wednesbury and West Bromwich sites have already been disposed of, although the college continues to lease back the latter. The Oldbury and Smethwick sites have both had offers which the College has been advised to accept. Negotiations are still ongoing regarding the timescales.

5.66 As the College is currently under financial notice to improve, there is a special dispensation to limit the borrowing requirement. This is applicable to all colleges in a financially weak position. It is widely recognised that the only way for the College to improve financially is through this project. The management team are capable of delivering this project and achieving a financially sound College.

**Decision:** The Committee agreed to endorse the £77.492million detailed project proposal for approval by the National Council at the 60.89% (£47.185million) grant support level.

### **Bournville College**

5.67 The College will relocate to a new site in Longbridge about 3 miles to the south west of its current campus as part of a deal with developers St Modwen to which the RDA had granted development rights to the Longbridge site. It will replace inadequate and overcrowded accommodation, including temporary facilities which have been severely criticised by Ofsted and which are not DDA compliant. It will also enable the college to respond to major new local regeneration and skills needs relating to the Longbridge regeneration project.

5.68 This project is extremely high on the list of regional priorities. Costs have been reduced by over £18.3million, including a significant reduction in the developer's fee. The college are satisfied their levels of borrowing are affordable.

5.69 The colleges in the region are now all working together collaboratively in order to provide the best curriculum offer. The college itself is steadily improving educationally and much faster financially. There is great confidence in the management team and their ability to deliver this project.

**Decision:** The Committee agreed to endorse the £66.279 million detailed project proposal for approval by the National Council at the 81.4% (£53.929million) grant support level.

### **North West Kent College**

5.70 Members were reminded that the original application in November 2008 proposed three new blocks and demolition of large parts of the existing estate. The current application reduces the amount of new building to two new blocks and the conversion and modernisation of a redundant swimming pool/theatre block rather than building a new theatre building. Although costly to convert, modernising the swimming pool/theatre block has led to a reduction in the overall capital cost of £11.5million. By installing a mezzanine floor within the building, additional learning will be able to be delivered and so offsets, to some extent, the absence of a second phase of development.

5.71 The Committee noted the large exceptional costs totalling £11.3million, however it was explained that the quantities are above the normal

benchmarks due to the size and scale of this project. There are also some peculiarities to the site, such as the historic mining activity which will require back-filling.

5.72 There is a substantial increase in the income projections, the College remain confident that this is realistic and achievable. 30,000 new homes are at the planning stage to be built in the area. Whilst these have not yet received approval – and might not be – this would enable learner numbers to increase even more than the number currently projected.

5.73 The value engineering exercise has reduced the cost of the cladding, windows, internal partitions and some finishings. These are not detrimental to the project overall, or to the educational experience. £8.3million has been saved in this way.

5.74 The Committee was minded to front-load the payment profile at the request of regional LSC colleagues. This profile payment is unique to this college and is, in part, to cover the costs of some of the exceptional works. Members were reminded that all grant support payments are paid in arrears and based on actual spend.

**Decision:** The Committee agreed to endorse the £52.603 million detailed project proposal for approval by the National Council at the 96% (£50.496 million) grant support rate.

#### **Tresham College of Further and Higher Education**

5.75 Members were reminded that the present proposals cover the relocation of the main campus in Corby from George Street to Oakley Road (10,329 m<sup>2</sup> new build) together with a remodelling of the St Mark's Skills Centre (1,500 m<sup>2</sup>) and hospitality and catering which it is proposed primarily to locate within the new civic hub "The Corby Cube" (575m<sup>2</sup>). The catering and hospitality provision will remain in Corby, and not be relocated to Kettering, so the wider skills offer with a new building at Kettering is omitted from the present application, as is the town centre relocation and development in Wellingborough.

5.76 There is an urgent need to replace the current accommodation. The College sits in an area of low participation, low attainment and high unemployment. There are no other providers in the area.

5.77 There has been a significant cost reduction during the value for money exercise, the land purchase price has been reduced 8%, but this is from a recent valuation and therefore does not fully reflect the changes to the property market seen over the last year or so.

5.78 The learner numbers and income streams do not fully align in the forecasts but this is due to a reduction of £0.7million resulting from an ending revenue stream. Members were concerned by the high levels of borrowing in the third year after the build, which are predicted to be 48.2% as a percentage of income. Income projections are robust and the College, Regional Board and regional LSC are all confident of the numbers despite the high borrowing levels and low cash days in hand.

5.79 It was confirmed that the £2million receipt is being used to service part of a £4million bridging loan. The remaining £2million will be converted into long term borrowing.

**Decision:** The Committee agreed to endorse the £37.414million detailed project proposal for approval by the National Council at the 72.16% (£27.000million) grant support level.

#### **Item 6. Any other business**

6.1 There were no items.

#### **Item 7. Date of next meeting**

7.1 The proposed meeting on 1 September will not be going ahead. Whilst there is no more substantial money available, there is budget for the 106 Regional Skills Capital Development Projects (RSCDPs) mentioned under item 4. These will need to be discussed in October. A meeting date will be confirmed nearer the time.

7.2 Decisions still outstanding on the Cathall Road project, the Manchester College project and the Kirklees project will need to be made by correspondence as soon as possible.

#### **Publication no.**

**Meeting chair** Norman Boyland

**Minute taker** Pete Sanders

**Date created** 24 August 2009

**Document ref.** \\sc.local\User\$CVH\sandersp\Capital\nat-capitalcommittee-minutes-17aug2009.doc

## **Annex A: Capital Committee – 17 August - Attendees**

### **Members Attending**

- Ashley Winter
- Norman Boyland
- Richard Haynes
- Peter Ibbetson
- Maggie Galliers
- George Sweeney

### **Regional Chairs and Representatives**

- Bill Rutter – North West
- Mike Beasley – West Mids
- Chris Paveley – Eastern
- Richard Brough – Yorks and Humber
- Alastair Eperon – East Mids

*(Ashley Winter representing North East, Peter Ibbetson representing – London, No representative being sent by South West as no projects)*

### **Apologies for Absence**

- Edward Libbey
- Paul Jagger
- Malcolm Trobe
- Lynne Morris

## **For Item 4 – Skills and Specialisation Capital Funds**

### **Cathall Road**

- Neill Scott – Regional Development Director
- Mary Vine-Morris – Area Director
- Basheer Dilmohammed – PFM Team
- Simon Tolanli – PFM Director

### **Flybe**

- Laurence Leader – Capital Policy Director

## **For Item 5 – Capital Applications for Determination by the National Council**

### **SE - Leyton Sixth Form**

- Mary Vine Morris – Area Director
- Basheer Dilmohammed – PFM Team
- Simon Tolanli – PFM Director

### **SE - South Thames**

- Chris Wright – Area Director
- Basheer Dilmohammed – PFM Team

- Simon Tolanli – PFM Director

**NW - St Helens College**

- Chris Griffin – Regional Finance Director
- David Johnson – Regional Property Advisor

**NW - West Cheshire College**

- Chris Griffin – Regional Finance Director
- David Johnson – Regional Property Advisor
- Liz Davis – Area Director

**NW - Furness College**

- Chris Griffin – Regional Finance Director
- David Johnson – Regional Property Advisor

**NW - Manchester College**

- Hooshang Rahmani – Partnership Director
- Chris Griffin – Regional Finance Director
- David Johnson – Regional Property Advisor

**Y&H - Barnsley College**

- Karen Sherry – Acting Area Director + Regional Finance Director
- Richard Hoyle – PFM team

**Y&H - Kirklees College**

- Mike Lowe – Area Director
- Richard Hoyle – PFM team

**NE - Hartlepool College**

- John Smith – Regional Finance Director
- Michael Gilbey – Regional Performance Director

**WM - Sandwell College**

- Mike Bell – Area Director
- Chris Knight – PFM team
- Debbie Callaghan – Regional Property Advisor

**WM - Bourneville College**

- Peter Bramall – Area Director
- Chris Knight – PFM team
- Debbie Callaghan – Regional Property Advisor

**SE - North West Kent College**

- Martin Lamb – Area Director
- Isabelle Wragg – Regional Property Advisor
- Pauline Tiller – Regional Finance Director
- Malcolm Staunton/Paul Sayers – Partnership Director

**Tresham College**

- Mary Rogers – Area Director
- Linda Bower – Partnership Manager
- Dianne Brown – Regional Property Advisor

**Other LSC Staff**

- Phil Head
- Alastair Grindlay
- Laurence Leader
- Alan Searle/Paul McGuire
- Denis Miles
- Pete Sanders