

# Minutes



Leading learning and skills

**Date** 17 July 2007  
**Subject** Capital Committee  
**Location** Grosvenor Gardens  
**Time** 10:30  
**LSC office** National Office  
**Publication intent** Internal

**Present** Norman Boyland (Chair)  
Alan O'Neill  
John Bull  
John Taylor

**In attendance**

**For Aquinas College**  
Ambrose Smith (Principal)  
Debbie Blackburn (Assistant Principal - Finance)  
Greg Hill (Assistant Principal - Estates)  
Danny Pearson (Assistant Principal - Curriculum)  
Jane Bracewell - LSC  
Steve Dunmore - LSC  
David Johnson - LSC

**For Barnsley College**  
Paula Whittle (Principal)  
David Laycock (Finance Director)  
Steve Oddy (Estates Director)  
Emer Clarke - LSC  
Mike Green - LSC  
Richard Hoyle - LSC

**For Sheffield College**  
Emer Clarke - LSC  
Mike Green - LSC  
Richard Hoyle - LSC

**For Keighley College**  
Mike Lowe - LSC  
Mike Green - LSC  
Richard Hoyle - LSC

**For Hastings College**  
David Smith - LSC  
Pauline Tilller - LSC  
Martin Lamb - LSC  
Isabelle Wragg - LSC

## **For Bracknell and Wokingham College**

Pauline Tiller - LSC  
Isabelle Wragg - LSC  
Martin Lamb - LSC  
Heather White - LSC

## **For Alton College**

Martin Lamb - LSC  
Pauline Tiller - LSC  
Isabelle Wragg - LSC  
Mark Harvey - LSC

## **For St Brendans Sixth Form**

Mark Harvey - LSC

## **For Notre Dame**

Mike Lowe - LSC  
Mike Green – LSC  
Richard Hoyle – LSC

## **LSC Committee staff**

Philip Head  
Alastair Grindlay  
Denis Miles  
Judith Wilson  
Pete Sanders

## **Apologies**

Apologies have been received from:

Richard Haynes  
Lynne Morris  
Terry Dabbs  
George Sweeney

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

1.1 The Chair welcomed the Committee and noted the apologies.

1.2 The following interests were declared:

- Norman Boyland for the Hastings and Bracknell projects as both are in the South East where he is the LSC's Regional Chair
- John Taylor for
  - Sheffield College, where he is the current Principal,
  - Barnsley College where he was a governor,
  - Park Lane and Keighley College as former Principal of Park Lane,
  - Aquinas College, St Brendans College and Notre Dame College as he currently sits on the Management Committee of the Catholic Education Service.

- 1.3 The Chair noted that the agenda for meetings had doubled in the last year, and the costs of the projects have also increased significantly. The Committee must ensure that these projects add value and work towards the goals of the LSC. The LSC must also have a duty of care to ensure that the projects are affordable for the college.
- 1.4 The difference in costs between AiP and detailed approval on some projects had been unacceptable hence the measures introduced late last year to help ensure more accurate estimates. Some older projects that are now coming back for detailed approval did not have the recent requirements at AiP such as sustainability.
- 1.5 In the future the LSC might want to review its project affordability system. For example a 50:50 matched funding process would put more onus on the college to decide what is affordable as it would share the consequences of cost increases.
- 1.6 14-19 revenue for both general FE and sixth form colleges will eventually become the responsibility of the LEAs. It is unclear at the moment what will happen to Capital funding although the current DIUS expectation is that the LSC FE capital programme will continue. The LSC's current limited schools capital remit and funds are likely to be passed to the DCSF to administer in due course.

**Action: A further discussion on the future of the Capital funding will take place at the September meeting if more information is available.**

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

- 2.1 The minutes were approved subject to the changes passed to the Clerk.

## **Item 3. Matters arising**

- 3.1 Item 3.6 - It was understood that recent university sector mergers had given rise to pensions liabilities under s73 and s75 of the Pensions Act 2004. Early advice has indicated that FE colleges merging within a Local Government Pension Scheme (LGPS) would be unlikely to incur material liabilities, but that FE colleges merging across LGPS schemes may incur liabilities. It was noted that the due diligence exercise carried out by each college in advance of merger should identify any potential pension liabilities. Further clarification is being sought and this issue will be raised amongst LSC regional finance teams.

**Action: Judith Wilson to seek further clarification and share with regional finance teams.**

- 3.2 The one page summaries of the Regional Capital Plans were noted. The review planned for the evening before the July meeting had been postponed due to the need to clarify changes in the LSC's future role following recent Government announcements and the uncertainty that had resulted. It was agreed that the review would be re-arranged for September and further guidance should be provided to the regional offices so that the summaries would better reflect the key regional priorities and better indicate how the

planned projects impact on other providers, and help meet the needs of learners and the wider communities.

- 3.3 The Dyson project had not made any tangible progress since the last update. Although there is a lot of work happening behind the scenes the project the site had not been acquired nor planning consent received and the issues of affordability had still to be resolved. Fee expenditure had been agreed until the end of July; the position will need to be revisited at that time. Costs have doubled since the initial proposal yet predicted learner numbers have remained the same.
- 3.4 A review of the capital appraisal process is underway and Grant Thornton are due to report back at the end of the month. The new approach will look at the benefits to UK plc. It would use a formula based methodology with clear parameters. The new proposals are expected to be trialled in October with the full roll out and training occurring in the proceeding 12 months. This will need a culture change for both the LSC and for colleges, however, if successfully introduces could greatly improve the project review process and justification.

**Action: Judith Wilson should provide a detailed paper explaining the new methodology at the September meeting.**

#### **Item 4. Capital Project Support – Projects for approval by the National Council**

##### **Aquinas College**

- 4.1 This was last seen at Christmas on a preliminary basis. A high level of grant support is needed for this project and the College had been keen to get an early indication from the Committee.
- 4.2 The Principal explained that it is a highly successful college on a constrained site. The current location is ideal for attracting students and there are no alternative sites that the college could be moved to.
- 4.3 Costs are now firmed up and the project is largely unchanged. The predicted growth will be 20 learners per year; this is a planned move to curb the growth which has seen the number of learners quadruple since 1988. The college is currently over-subscribed and last years enrolment saw prospective students queuing overnight. There is a strong feeling at the college that they have achieved the optimal size and do not want to expand much more. There is sufficient capacity at other providers in the area to accommodate the additional learners and the cohort is expected to decrease slightly in the future.
- 4.4 The curriculum will change to offer more vocational qualifications. There are four diplomas the college want to initially target, sport, creative and media, business and information technology. The science diploma will also be targeted when it is formally developed.
- 4.5 There is some overlap of curriculum with Stockport College, but the majority of their provision focuses on different areas. There is also close working with

Cheadle and Marple college and the local LSC had no concerns that this project will be detrimental to other providers.

- 4.6 The diocese of Shrewsbury will own the college buildings. There is an agreement in place for the buildings to be used for education for the next 40 years. If the college were to fold within that time there is a responsibility for the church to return the assets to the public purse and the Committee agreed that these matters should be reflected in the conditions of grant.
- 4.7 The operating margins are very small at only 1%; however there is confidence that this is a manageable level.
- 4.8 The college also has an outstanding loan of £1.7million from a previous capital project. The college expected to be able to come back to the Committee for detailed approval in February.

**Decision:** The Committee agreed to recommend the project to the Council for approval on an in principle basis at the grant support level of £36.007 million (93.3%).

### **Barnsley College**

- 4.9 This was reported as the second time the college had come for agreement in principle. This was a bigger, revised, scheme which had no resemblance to the previous project.
- 4.10 This is the only college in Barnsley and there is a traditional reluctance for learners to travel even small distances to other providers. Success rates have increased recently and the college is jointly involved with five diplomas, of which they lead on three.
- 4.11 The sports hall will be part of Barnsley town centre leisure strategy and will provide an alternative income stream for the college. It will also help raise the profile of the college within the town.
- 4.12 The Building Schools for the Future programme will see thirteen schools in the area be reduced to 9 'Advanced Learning Centres'. These will offer additional services such as social services and health services, but no sixth form provision. There is a joint strategy in place to ensure collaborative working between these centres and the college.
- 4.13 Phase 1 costs have been finalised and work is ready to go ahead. Phase 2 has a little way to go, but there is confidence the figures are accurate. The planning office has been very supportive so far.
- 4.14 The final project will consist of four sites all within a five minute walk; a footpath will be built to link the sites. The decant will be done within their existing buildings to reduce costs. The onsite parking will be greatly reduced; however staff have been consulted and are largely happy. There is a large public car park opposite the college.
- 4.15 There has been no financial support from the local authority or the RDA. This project will be a significant driver of redevelopment in the town centre and they must both be approached for funding.
- 4.16 Barclays have offered a good rate on the loan and the college is still looking to get this down further. The £600,000 loan the college currently has will not affect the negotiations.

**Decision:** The Committee approved the phase 1 project on a detailed basis at the £0.607million (10%) grant support level for phase 1 and to recommend to the Council for approval £40.609million (73%) for phase 2 on in principle basis. The college must approach the RDA and local authority for funding support for what would be a key regeneration project.

### **Sheffield College**

- 4.17 John Taylor left the room due to his declared interest.
- 4.18 This is the only general FE college in the city and currently occupies three main locations. This is the second phase of the project, phase 1 having been completed on time and within acceptable cost levels. The Committee gave AiP approval in May 2006 but requested that the project be more ambitious and of higher quality. This is now a larger scale project with a better quality finish however the building is essentially the same. Phase 1 was finished as cheaply as possible as it was felt that it would be easy to replace if students wear it out. This was not considered to be as cost effective as it might have been.
- 4.19 This project has only had a single stage tender and only two bids were received; both were over budget and required the board of governors to sign off on the final agreement. The project only had the college's in house estates team managing it. Normally this project would have gone back to tender for further bids but the costs incurred by this delay would outweigh the potential savings. This is not regarded as a particularly attractive project for builders and the tendered costs reflect this. But it was felt to be a good quality scheme and the costs were justified.
- 4.20 There is a strong educational case and the college will be the vocational hub of the city. Participation will increase as will the quality of provision. The current accommodation is poor and money has already been spent to prevent further debris falling from the building.
- 4.21 Sheffield has always had a big demand for part time courses and this building will encourage more employer engagement. The focus on adult participation and vocational training is not provided elsewhere in the city and this college will not affect the learner numbers in other institutions.
- 4.22 There is a risk that the site disposal will not raise the estimated £11million, there is a potential for the price to decrease to £5.8million. The contingency is low at only 3% and equipment costs have been reduced to under 2% of the overall cost. This is significantly below average and a concern to the Committee.
- 4.23 If there is a shortfall the college will need to increase their borrowing, which is not yet at capacity. The college was warned that it should not come back to the Committee for additional funds.

**Decision:** The Committee agreed to recommend to the Council to approve the project at the £36.068million (62.0%) grant support level. The college was asked to note the concerns of the Committee around the low contingency, low equipment costs and the potential shortfall on land sale. As a condition of grant support the college should use professional external project management to manage the project implementation process.

## **Keighley College**

- 4.24 This is a £35million project with no borrowing requirement from the college due to the recent merger, part of which ensured no financial detriment to Park Lane College which is taking over Keighley College.
- 4.25 This is a badly needed project from an educational perspective, the space utilisation is exceptionally poor and the accommodation is arguably the worst in the country.
- 4.26 It was noted that there is a risk of setting a precedent if the Committee approves this project. This is not the same situation as the Newcastle and Skelmersdale & Ormskirk project recently considered by this Committee.
- 4.27 A formal LSC policy on mergers is needed. The Capital Committee felt uncomfortable with a situation where Park Lane College would receive all of the assets of Keighley College without any financial risk for their modernisation.
- 4.28 The local LSC had included the clause of “no financial detriment” in the merger package to generate interest in local colleges of taking over Keighley College. Five colleges expressed an interest. But the local LSC should have realised the national policy implications and that they have overstepped their authority in offering this deal.
- 4.29 There is only two weeks before the merger is made official. The Secretary of State has already approved the merger and it has been announced in Parliament. Park Lane College can still withdraw if approval is not given for this project.
- 4.30 Costs have already been tendered; if the decision to approve the project is delayed significantly costs will increase. Park Lane College are adamant that this is the correct solution for the combined college, the plans have been studied in detail and only a few minor alterations were made.
- 4.31 The financial requirements were based on Keighley College alone, which was in category C and in recovery. The level of borrowing for this category of college is much lower than for colleges in category A and B. The Committee agreed that it needs to know also the project affordability based on the merged college’s finances and how this might impact on the impending 5 college merger in Leeds.
- 4.32 Before the committee could reach a decision, therefore, it asked for the following information to be provided:
- a. the 3-5 year financial forecast for the merged institution;
  - b. an estimate of the capital costs of the cross college mergers planned for Leeds;
  - c. an estimate of the capital requirements for the 5 college Leeds merger which are appropriate to Park Lane College; and
  - d. a 5 year capital plan which includes both their requirements for Keighley and for future capital investment in Leeds.

- 4.33 With this information to hand the Capital Committee believed it could properly estimate the likely overall intervention rate and make decisions about front-loading the Keighley College element
- 4.34 There is no predicted growth in learner numbers despite the impact that new builds have. Early indication has shown that growth is happening in both participation and achievement. Further clarification is also needed to determine who is running the project; the Committee noted the absence of **Decision:** The Committee agreed to receive a supplementary report by correspondence to enable it to determine its recommendation to the Council about the Keighley College project proposals.

### **Hastings College**

- 4.35 Norman Boyland handed the Chair to John Taylor for this item due to the declared interest.
- 4.36 Hastings College's campus is on a very constrained site surrounded closely on all sides by housing and a disused quarry. The accommodation is also out dated with the workshops having asbestos cladding.
- 4.37 There is a re-focus of provision currently occurring in the area following a major review initiated by Sussex LSC. Four school sixth forms have closed and this sixth form centre is being put in their place. This has already received ministerial approval.
- 4.38 Moving to a new campus location was proposed in Hastings Town Centre. This was the Station Plaza site which was being developed by Tarmac as part of a complex PPP which had been tendered by the local regeneration company SeaSpace as part of a process managed by the LSC's Capital Programme Manager. The site would also provide accommodation for the local primary care trust and housing. The college was also acquiring land at nearby Ore Valley to develop a technology centre.
- 4.39 The escalation in costs is partly due to the sustainability aspects of this project. The college is aiming for excellence in sustainability, which was not a requirement at the AiP stage. Planning delays and building cost inflation have also increased costs. But these are difficult sites in a remote location which is not particularly attractive to building contractors.
- 4.40 There is confidence that these figures are now accurate, the biggest risk is in acquiring the Ore Valley site interests some of which require CPO by SEEDA. ; There is no particular concern that the sale to the college will fall through but any delays will increase costs. Compulsory purchase orders are already in place on the remaining packets of land but the price has not been finalised.
- 4.41 The college will offset part of the costs of acquiring the Station Plaza site from when the podium and substructure have been built. The college building, and the neighbouring primary care trust and housing will sit on this podium. The Primary Care Trust had received NHS approval but had yet to contractually commit to the scheme.
- 4.42 The growth of 788 learners seems ambitious; however 400 of these are a result of the closure of the school sixth forms. There has been no previous

provision at entry level and level 1, it is anticipated that this will provide a large number of learners. Participation in Hastings is much lower than that of the rest of the South East and is expected to rise once this new building is completed.

**Decision:** The Committee agreed to recommend the project proposal to the Council at a grant support level of £72.347million (78.6%).

#### **Bracknell and Wokingham College**

- 4.43 This was first seen by the Committee for in principle approval in May 2006. Costs have increased a little since then.
- 4.44 If the college's Wick Hill site is sold in time, all the disposal proceeds will be put into this project. If the planning and environmental uncertainties are not resolved in time, the proceeds will be put towards a future capital project. The size of the receipt will not be known for another year.
- 4.45 The college is now at capacity and the costs of maintaining the current buildings are now unrealistic.
- 4.46 The growth in learner numbers is expected to be 30%-33% however the financial forecast shows no increase in income over the same period. This is recognised as one of the riskier projects considered by the Committee, but the College has a good track record of delivering to budget and the management team is good.

**Decision:** The Committee agreed to recommend the project proposal to the Council for approval; at a grant support rate of £26.4million (73.4%) grant support level. The Wick Hill receipt if and when received should be earmarked – if possible – to reduce the size of the grant.

### **Item 5. Capital Project Support – Projects for approval by the Council**

#### **Alton College**

- 5.1 This application is an in principle application for phases 11 and 11a of the college's ongoing redevelopment project and detailed application for phase 11a. Phase 11b is likely to be the final phase unless a large unexpected growth in learner numbers occurs. Phase 1 was started in September 2000 and the total project costs – including phases 11 and 11a – are £20.181million with a grant support of £10.920million (54.11%).
- 5.2 OfSTED assessed the college as outstanding in 2006.

**Decision:** The Committee approved the project at the £5.885million (76%) grant support level for the detailed phase 11a, and the £7.798million (76%) grant support level overall phase 11 for both phases

#### **St Brendans College**

- 5.3 This college is very popular with a long waiting list for places. It attracts students from over 70 schools and has good success rates which have risen in the last few years.
- 5.4 There is a small negative NPV of approximately -£2million, this has been signed off by the Director of Finance. The location of the college within the

green belt, a conservation area and a grade II listed historic park has increased costs.

- 5.5 Phase 1 will start later this month, the detailed application for phase 2 will come back to this Committee next April or May. The plans are already at stage C and costs are robust.

**Decision:** The Committee approved the detailed application for phase 1 at the £1.634million (50%) grant support level and the in principle application covering phases 1 and 2 at the £16.549million (87%) grant support level.

#### **Notre Dame College**

- 5.6 This is a well established sixth form college near Leeds city centre offering a broad level 3 curriculum. Learner numbers are consistently high despite the decline in cohort size and competition from other providers.
- 5.7 This is a straight-forward project to replace three temporary buildings with a multi-storey teaching block.

**Decision:** The Committee approved the project at the £3.764million (63%) grant support level.

#### **Item 6. Cost Update**

- 6.1 This paper recommended an inflation cost increase for the second half of the year by 2.5% to reflect the predicted increase in building cost inflation. There is growing concern that some projects have been using cheaper finishings to keep the overall costs down as building costs have risen.
- 6.2 Better benchmarking for cost criteria is needed in order to maintain a minimum quality. The current mechanistic approach of pass or fail is no longer suitable. Instead the continuum between the lowest acceptable finish and the highest specification should be benchmarked to get a better understanding of costs.

**Action: Alastair Grindlay to provide more detailed benchmark information for consideration at a later meeting**

**Decision:** The Committee approved the increase of 2.5% in inflation costs.

#### **Item 7. Capital project support – Projects approved under the Chief Executive's and/or Regional Directors delegated authorities.**

- 7.1 The Committee noted the one project for St Dominic's Sixth Form College.

#### **Item 8. Any other business**

- 8.1 There were no additional items.

#### **Item 9. Date of next meeting**

- 9.1 The next meetings of the Committee will take place on 2 August in London and then on the afternoon of 4 September and morning of 5 September at the new LSC Regional Office, Millenium point, Birmingham (regional capital plan reviews) and Joseph Chamberlin College, Birmingham respectively.

<b>Meeting chair</b>	Norman Boyland
<b>Minute taker</b>	Pete Sanders
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