

Minutes



Leading learning and skills

Date 17 July 2008
Subject Capital Committee
Location Centre Point
Time 10:15
LSC office National Office
Publication intent Internal

Present See Annex 1 for list of attendees.

Item 1. Welcome and introductions

1.1 The Chair welcomed the Committee and introduced Ashley Winter who has taken over from Terry Dabbs as the North East representative.

1.2 The following declarations of interest were made:

- Richard Haynes had an actual or possible client interest, past or present in the following college's projects:
 - Lewisham College (present)
 - East Surrey College
 - St Brendan's 6th Form College
 - Berkshire College of Agriculture.

1.3 Other members asked for their interests as Regional Board members to be recorded:

- Norman Boyland for the colleges in the SE region
 - Canterbury College
 - Queen Mary's College
 - East Surrey College
 - Berkshire College of Agriculture
- Ashley Winter for the college in the NE region
 - Bishop Auckland College
- Alan O'Neill for the college and other provider in the E region
 - SWISS Community College
 - Luton Sixth Form College
- Paul Jagger for the colleges in the Y&H region

Learning and Skills Council

OfficeArea

Cheylesmore House Quinton Road Coventry CV1 2WT

T 0845 019 4170 F 024 7682 3675 www.lsc.gov.uk

- Bishop Auckland College
- Mike Collier for the colleges in the NW region
 - Hopwood Hall College
 - Rochdale Sixth Form College
 - Carlisle College
 - South Cheshire College
 - Trafford College

1.4 Philip Head confirmed that the application from Hertfordshire Regional College has been withdrawn from this agenda and will instead be on the August agenda. There are several problems with this project that need resolving. The college had experienced a material cost increase linked to a decision to firstly construct and then secondly, abandon a particular pre-fabricated flooring system. Normally when costs overrun the college is expected to cover these; in this case it appears the costs will be too large for this to happen. The Committee noted that it might have a difficult task at the next meeting and must be careful not to set a precedent.

Item 2. Minutes of last meeting

- 2.1 Liz Adcocks was thanked for clerking the previous meeting at Hartpury College.
- 2.2 The minutes were approved subject to the following amendments:
- 2.3 Item 3.21 should read “Regional Councils will be set up from September 2008”.
- 2.4 Item 4.5 should read “The local press had run a story about this college and believed that it would offer value for money through a more efficient site”.
- 2.5 The numbering of section 4 needs correcting.
- 2.6 Item 5.2 should read “The college intends to fund the project through long term borrowing of £1.025million and grant support of 98% (£24.624million)”.

Item 3. Matters arising

- 3.1 Item 3.21 – An item of workload and delegations to Regional Councils will be on the September agenda when more new members are likely to join the committee.
- 3.2 Item 5.6 – The amount of grant support had been reviewed by Denis Miles and he had reported that no change was necessary.

Item 4. Capital Applications for Approval by the National Council

Hopwood Hall College and Rochdale Sixth Form College

Rochdale Sixth Form College

- 4.1 The Capital Committee was informed that Hopwood Hall College is one of the co-sponsors of the new Rochdale Sixth Form College, the incorporation of which ministers have agreed and the Board of Governors is currently being recruited at the moment. The other sponsor is the local authority. In the

meantime, the LSC has to be responsible for managing the sixth form college's capital project and the funding of consultancy appointments until the college becomes a legal entity and its governing body, likely to be in place during the second week of August, can take over.

- 4.2 New sixth form colleges are funded at 100% from the 16-19 Capital Fund as to ask them to take on additional borrowing would result in an increase in revenue. A financial forecast will need to be provided at the in detail stage. There is a large negative NPV and there was concern that the project may not be economically viable.
- 4.3 The Rochdale project is the outcome of an LSC sponsored 16-19 competition and is integral to the regional vision of education. The project also fits with the Building Schools for the Future (BSF) programme and given BSF timings it was important that the college should open in September 2010. The sixth form college aims to keep students in the borough by offering facilities which are accessible to local learners. The drop out at 17 is currently high because of the need to leave the area to continue in learning.
- 4.4 The partnership has worked well to get the plans to this stage and will continue to help develop the designs. Staff at Hopwood Hall College have been directly involved in the planning of the Sixth Form College and Hopwood Hall College is giving up part of its site.

Hopwood Hall College

- 4.5 Hopwood Hall accommodation is decaying and inflexible. Whilst both of its campuses will be kept under its new redevelopment proposals the overall floor space will be reduced by 40%. Technology will be used in innovative ways which are not suitable in the current buildings.
- 4.6 The construction and engineering blocks will be decanted to another site for two years. The selected site is currently empty which will allow for the creation of good facilities. Most of the students are accustomed to travelling to their classes and will therefore not be impacted too far.
- 4.7 Both projects are contributing to a borough-wide strategy for curriculum development and learner growth. Growth in the past few years has been significant and is expected to continue.
- 4.8 The RDA is fully supportive of the project and negotiations are ongoing to secure RDA funding particularly around the construction of the bridge which will be needed for enabling site traffic during construction.
- 4.9 The size of Hopwood Hall College's project is on the upper limits of the space norms due to retention of some inflexible areas such as the grade II listed building. If growth exceeds expectations there is further space on the estate for an additional phase.
- 4.10 Members noted that the predicted growth in the key areas over 8 years is very small; however the college was praised for growing their full cost provision. 2010 learner numbers reflect the loss of 500 learners to the Sixth Form College, these A-Level students will be replaced by vocational students but that process will not be instantaneous.

- 4.11 Many of the staff at Hopwood Hall will TUPE across to the Sixth Form College. There is a large staff training programme planned for all staff to cope with the huge changes that will take place.
- 4.12 Income is well below the rate of inflation at approximately 1%pa. These figures are clearly over-cautious and more needs to be done in the Train to Gain and Skills for Life programmes.
- 4.13 The financial forecast showed that borrowing in 2009 is incorrect. It was stated that £8.9million will be borrowed and there would be 165 cash days.

Decision: The Capital Committee agreed to endorse the Hopwood Hall £65.715million project on an in principle basis for approval by the National Council at the indicative 87.1% (£57.240million) grant support level. The Committee requested that both colleges provide robust financial forecasts based on realistic learner numbers at the in-detail approval. Details of the project management must be provided at the same time.

Decision: The Committee approved the Rochdale Sixth Form £26.057million project on an in principle basis at the indicative 100% grant support rate.

The Committee also noted and agreed the updated Rochdale Sixth Form College fee costs schedule of £1,584,691 payable by the LSC up to and including the selection of the contractor and confirming the employer's requirement document for the proposed building contract after which it is hoped the college will be able to take over the contractual requirements for procurement.

Lewisham College

- 4.14 Due to his declared client interest Richard Haynes left the room after the College presentation whilst the Committee discussed the project.
- 4.15 The Committee was informed that Lewisham College is a large general FE college offering a wide range of provision. The college is seeking to rationalise from its two main sites to one at Deptford. The college have chosen a developer led scheme to minimise the risk, initially four developers expressed an interest but two have since withdrawn.
- 4.16 The site is not straightforward and numerous factors will complicate the build including the London Docklands Light Railway which skirts the site, a creek and flood plain, the dock, archaeological remains, the interest of two London Boroughs _ Lewisham and Greenwich and poor site access. There are no alternative sites available. The project is split into two phases, the first deals with the decant the second is the build itself.
- 4.17 The college's current accommodation is no longer economically viable and cannot be adapted to cope with the increased growth in construction, nor can it offer hairdressing courses.
- 4.18 There is an experienced internal project management team, some of whom are full time on the project. An expert external project manager has been appointed.
- 4.19 Potential site disposal proceeds are currently valued at £27million but members noted that there are no certainties in the current economic climate.

This figure has already been revised down from the 2007 valuation. There will be a guaranteed minimum purchase price and the ability to include a recalculated price which the developer will pay if higher. The college currently also has a pension deficit of £5.9million. There is a contingency built into the budget, but a change of more than 5% would create costs above the college's capability to finance itself.

- 4.20 Treloars College which intends to co-locate on the Deptford site is a very experienced specialist LLDD provider which will establish a residential LLDD facility. Currently many learners need to leave the region; this will offer excellent local provision to these students.
- 4.21 The learner numbers – excluding the Treloars College provision – remains relatively flat. The cohort is declining by 3-4% over the projected period and there is competition from other colleges, several of which have their own capital plans. There is already 81% participation for 16-18 year olds and uncertainty around future funding arrangements in light of Machinery of Government necessitates caution.
- 4.22 If one of the remaining developers withdraws the college will continue with the process and strive to maintain a competitive price. If both developers withdraw the college could manage the project itself and take on the additional risk. The two developers who have already withdrawn were believed to be the weakest of the group and were unlikely to be selected. The college aimed to start on site in 2010 and for the project to be completed in 2013.
- 4.23 The college is the biggest Train to Gain provider in the area and is seeking to increase numbers by over 200%. Apprenticeships will also be increasing significantly. The 16-18 provision is the only area not to be increasing due to limited funding, a declining cohort and competition from other providers. Much of the growth will be in off-site provision.
- 4.24 The Committee was impressed with the college presentation and felt that they demonstrated a clear ability to manage this project and minimise the risks, particularly around the land receipt.
- Decision:** The Committee agreed to endorse the £142.331million project on an in principle basis for approval by the National Council at the indicative 67% (£95.362million) grant support level.

SWISS Community College

- 4.25 The 2003 Strategic Area Review identified many issues in the Suffolk area and the then Suffolk LSC had run a 16-19 competition to providing a new 16 to 19 school for all abilities, across a wide curriculum. A local authority consortium had been selected. Its plans, now at Stage E design, are supported whole-heartedly by all stakeholders and compliments existing provision.
- 4.26 Members noted that curriculum at Level 2 will be the main focus of the provision; Level 3 will mostly be covered by existing providers. This will be all inclusive to meet the needs of the local community. This is a complex project but it is the right solution despite the large negative NPV.

4.27 The high exceptional costs are due to a number of factors including SEN provision, high equipment costs, additional requirements involved in building schools such as increased soundproofing and sprinkler systems, and Ipswich being expensive to build on due to the geology.

4.28 The Building Schools for the Future programme would not be able to start funding this project until 2013 at the earliest which would be a full 10 years after the initial review which highlighted an area in need of urgent attention.

Decision: The Committee agreed to endorse the £65.455million project on an in principle basis for approval by the National Council at the indicative 91% (£59.295million) grant support level.

Luton Sixth Form College

4.29 The Committee was reminded that this project was last seen in September 2007. Since that time costs have increased 40% but educationally the project is still the same.

4.30 Environment Agency requirements have contributed to some of these costs, as well as larger sports facilities to comply with Sport England. Building cost inflation and increased exceptional costs including the cost of digging piles 100m deep have also contributed. It was also noted that the original costs were under estimated and are now in line with the cost criteria model.

4.31 Contingencies have increased by £1million since the in principle stage. This was clarified as a contract contingency to cover delays in the receipt of disposals and is in line with the cost model, the original contingency was lower than LSC guidelines.

4.32 The college is certain that the sale price will be achieved. The lowest bid received was £2.5million and this is the figure it is using in calculations. The Committee noted that the large increases in such a short time did not inspire confidence in the College's ability to give certainties.

Decision: The Committee agreed to endorse the £56.702million detail project proposal for approval by the National Council at the 88% (£49.742million) grant support level.

Canterbury College

4.33 This is the third and final phase of the redevelopment of Canterbury College campus. The first two phases have both been completed on time and to budget. This is a strong proposal which had no issues at the Regional Board. The grant support of 91% on this phase represents an overall level of 77.75% over the three phases.

4.34 The college has demonstrated a material increase in quality and learner numbers over the last 4 years, including during the phase 1 and 2 build. The college is regarded by the LSC's partnership team as a good provider that works well in partnership with other providers in the region.

4.35 The current level of borrowing is in line with LSC guidelines where previously it had been outside the limits. This is a rebuild not a refurbishment, and is now significantly larger by 6,000m² than at the AiP stage but this is to accommodate the higher than expected learner numbers.

4.36 Preliminary work will start after National Council approval to remove asbestos which can only be done during the summer holidays. This is a risk the college is prepared to take as waiting until after detailed approval would delay the project too long.

Decision: The Committee agreed to endorse the £53.873million project on an in principle basis for approval by the National Council at the indicative 91% (£49.024million) grant support level.

Queen Mary's College, Basingstoke

4.37 This project aims to combine new build and refurbishment to modernise the campus and address the needs of the 14-19 agenda in the area. The region suffers from a high NEET group and low GCSE attainment.

4.38 Whilst the college has extensive grounds (approximately 30 acres) it is unable to sell any more. There are several tree preservation orders and the highways agency has earmarked some land as a possible site for a road.

4.39 Phase 1 costs have been fully tendered and have informed the costs for the latter phases. There is a risk that the later phases may have cost increases. The college is determined that costs are accurate despite being below the benchmark figures. Phase 1 was also below the benchmark and the college were proved correct with their estimates.

Decision: The Committee agreed to approve the £30.503million project on an in principle basis for approval by the National Council at the indicative 83% (£25.318million) grant support level. The Committee also agreed to endorse the £12.833million phase 1 in detail project for approval by the National Council at the 73% (£9.368million) grant support level.

South Cheshire College

4.40 Costs have increased by £16million (40%) since the in principle approval in May 2007, which was under the previous LSC guidelines rather than the cost criteria model. These costs fit within the current model. This is still the right solution and a badly needed project. The land value is now lower than at AiP.

4.41 The learner growth is small, however much of their growth is delivered through the college's WBL programme which is in partnership with another provider and largely delivered at their campus or off site.

4.42 The costs forecast at the in principle stage now appear to have been over-optimistic and a new architect has been used to take the plans from stage C to stage D. Tender cost inflation is a significant factor in the cost increases, the cost of steel and energy continue to rise and this will affect many projects. The Capital Committee was informed that ongoing work with the LSC Consultancy Framework will address this issue and AiP costs will be much more robust and significant cost increases will come back to the Committee at an earlier stage in future.

Decision: The Committee agreed to endorse the £75.586million detailed project proposal for approval by the National Council at the 77.4% (£58.503million) grant support level.

East Surrey College

- 4.43 The Committee was reminded that this is a medium sized general FE college. Since the in principle approval in November 2007 costs have increased 17% however the project has largely remained the same. Space has increased due to the need for a sports hall, and some additional features are now required such as widening fire escapes. Tender price inflation is a main factor in the cost increase.
- 4.44 The Committee had previously requested that planning permission should be sought on the land for disposal. Given the current economic climate the disposal has been taken out of this proposal; this has increased the grant support level. The land will be sold at a later date and the proceeds will abate the grant. The proposal is that anything up to £7.25million will be given back to the LSC to abate the grant, and anything above that sale price will be split 50:50 with the college.
- 4.45 The decant is expensive but it remains the best solution to maintain student numbers during the build. The build will coincide with the increasing participation age and any loss of students then will have a significant impact which will take several years to recover from. Everything must be done to attract students during that crucial period.
- 4.46 The project management arrangements were confirmed as robust.
- Decision:** The Committee agreed to endorse the £61.100million in detail project for approval by the National Council at the 90% (£54.990million) grant support level.

Item 5. Applications for Approval by the Capital Committee

Trafford College

- 5.1 The costs have increased by £4million since AiP, largely due to post-merger design changed. The project has increased in size to accommodate additional learner growth.
- 5.2 The learner numbers are difficult to compare to the in principle projections as the numbers are now for the college as a whole, rather than for South Trafford as it was at AiP. Learners at the former North Trafford site decrease which adds complexity to the figures. 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.
- 5.3 The income does not grow significantly above inflation during the projected period. Whilst this project is badly needed and had been previously justified the Committee felt that the learner numbers projected for the whole college seemed to be unduly cautious and might not justify further investment beyond this project..
- 5.4 The north campus project will be coming to the Committee within the next 8 months and can be used to reassess the grant support levels if necessary. Work is due to start on the south campus within the next few weeks.
- Decision:** The Committee noted that this is a worthwhile project and agreed to approve it at an estimated cost of £21.18 million and grant support of

£17.753 million (63%) and secured borrowing of £10.427 million. It asked the NW region and Partnership team, however, to provide a note of explanation and clarification in conjunction with the college on the learner numbers and to note that it expected to receive robust proposals for the North Campus proposals.

St. Brendan's Sixth Form College

- 5.5 Although this is a Catholic college, only one-third of pupils are Catholics and the college has twice as many ethnic minorities as other colleges in the area at 15%.
- 5.6 The Committee commented that the intervention rate has increased by only 0.3% from the in principle agreement, and that three years after the build it would only be in financial category B; however the college is happy with this arrangement.
- 5.7 There is space for a further three storey building if learner numbers increase above the predicted levels. As with all Catholic providers, the diocese has guaranteed that the accommodation will be used for education for a minimum of 40 years.

Decision: The Committee approved the £16.579million detailed project proposal at the 95% (£15.700million) grant support level.

Berkshire College of Agriculture

- 5.8 The Committee were informed there were no issues with this project at the Regional Board. The college provides crucial vocational provision in an area dominated by academic provision. It also contributes to the LLDD agenda in the area.
- 5.9 The college has used the predicted sector growth to determine the projected learner growth and the figures appear robust. The curriculum has been diversified as far as possible.
- 5.10 The college provides transport for more local students and residential accommodation for more distant learners. The predicted growth is from the local area and will therefore not be dependant on providing additional residential facilities.
- 5.11 A further phase will be coming to the Committee in future which will allow the college finances to be reassessed if necessary.

Decision: The Committee approved the £12.979million detailed project proposal at the 85% (£12.979million) grant support level.

Bishop Auckland College

- 5.12 The Committee was informed that Phase 3 will be presented at the November meeting. It was noted that this is a strong project and the intervention rate when averaged over both phase 1 and 2 is 73%. College borrowing is higher than normal at 41%.
- 5.13 The same contractors are being used in phase 2 as were used in phase 1 which was delivered on time and to budget. Costs are near 100% certainty for the second phase and contingencies are therefore modest at 1.5%.

Decision: The Committee approved the £13.032 million in detailed project proposal at the 98% (£12.773million) grant support level.

St Charles Sixth Form College

5.14 The Committee were informed that the college currently uses over 600m² of temporary accommodation which this project seeks to replace. The curriculum focuses on IT and sports science which will benefit from a new IT suite and gym. The 1950s accommodation is not being replaced.

5.15 This is a much needed project at an excellent college.

Decision: The Committee approved the £6.100million detailed project proposal at the 72% (£4.392million) grant support level.

Carlisle College

5.16 This is a small town centre general FE college 35 km from the nearest other college. The first phase of its redevelopment was completed in August 2006. The college are seeking to improve the learning environment and reduce the running costs. The collaborative 14-19 centre will remain under the college's ownership but will be available for all providers.

5.17 There is a small projected growth and a small Train to Gain programme, the college is well managed and the decant strategy will utilise surplus and temporary accommodation. The excess accommodation will be demolished and a car park built.

5.18 Site disposals will raise approximately £350,000 however the college will retain a site currently valued around £700,000 which the University of Cumbria may acquire at a later date.

5.19 The spending profile is heavily weighted in year one of the build, the LSC had been requested to profile the grant support to match this.

Decision: The Committee agreed to approve the £28.746million in principle project proposal at an indicative 88% (£25.296million) grant support level.

Item 6. Extending Eligibility

6.1 The Committee was given a copy of the letter from Bill Rammell which had been very recently sent to the LSC. This letter refers to spending on specialisation which links into extending eligibility, there has not been time to assess the impact of this letter and Philip Head requested that this item be brought back to the August meeting under Matters Arising.

6.2 This subject is being considered by the National Council at their next meeting on 30 July. This is a complex area and many different categories of providers must be considered and there may be several grey areas.

6.3 Committee members were requested to take the paper and letter away with them for closer consideration and send any comments to Philip Head in advance of the National Council meeting.

Item 7. Projects Approved under Delegated Authority

7.1 The Committee noted the projects in the paper from the following providers:

- Royal School for the Deaf
- Moulton College
- Wyedean School
- Wellacre Technology College
- Beaufort Community College
- Reading Girls School
- Great Sankley High School
- Altringham Girls Grammar School

Item 8. Any other business

8.1 The National Audit Report was circulated to members, and will be an agenda item at the August meeting.

Item 9. Date of next meeting

9.1 The next meeting of the Committee will take place on 14 August in London .

Annex 1 – Attendees.

Members Attending

- Norman Boyland
- Richard Haynes
- Alan O'Neill
- John Taylor
- Paul Jagger
- Mike Collier
- John Bull
- Ashley Winter
- Lynne Morris

Apologies for Absence

- George Sweeney

Item 4 – Capital Applications for Approval by the Council

**1 Hopwood Hall
College**

- Derek O'Toole – Principal

LSC

- Paul Stokes – Property Advisor
- John Rawsthorne – Area Director, Greater Manchester
- Steve Dunmore – Regional Finance
- Ian Ellis – Partnership – Director

**2 Rochdale College
LSC**

- Paul Stokes – Property Advisor
- John Rawsthorne – Area Director, Greater Manchester
- Steve Dunmore – Regional Finance
- Ian Ellis – Partnership – Director

**3 Lewisham College
College**

- Dame Ruth Silver – Principal
- Stephen Lawes – Director of Finance
- Nick Linford – Head of Planning & Performance
- Dave Sullivan – Redevelopment Director
- Alastair Finn & Hugh Davies – from King Sturge – waiting outside if needed

LSC

- Catherine Davies – Regional Property Advisor
- Raza Raheem – Regional Finance Director
- Mike Pettifer – Area Director

4 SWISS College

- Alan Whittaker

LSC

- Mike Dean – Suffolk LSC
- Keith Felgate – Regional Property Advisor
- Paul MacGuire – Regional Finance Director

5 Luton Sixth Form College LSC

- Keith Felgate – Regional Property Advisor
- Paul MacGuire – Regional Finance Director

6 Hertfordshire Regional College College

- Paul Harvey – Principal
- John Glover – Finance Director
- James Leng – Consultant

LSC

- Paul MacGuire – Regional Finance Director
- Keith Felgate – Regional Property Advisor

7 Canterbury College LSC

- John Ratcliffe – Partnership Director
- Isabelle Wragg – Regional Property Advisor

8 Queen Mary's College, Basingstoke LSC

- Martin Lamb – Area Director H&IOW
- Isabelle Wragg - Regional Property Advisor

9 Carlisle College LSC

- David Johnson – Regional Property Advisor
- Emer Clarke – Area Director
- Jacqui Raw – Partnership Manager

10 South Cheshire College
LSC

- Paul Stokes – Property Advisor
- Steve Dunmore – Regional Finance
- Liz Davies – Area Director

11 East Surrey College
LSC

- David Smith – Area Director, Sussex LSC
- Isabelle Wragg – Regional Property Advisor

Item 5- Capital Projects for Approval by the Capital Committee

1 South Trafford College
LSC

- David Johnson - Regional Property Advisor
- Steve Dunmore – Regional Finance
- John Rawsthorne – Area Director

2 St Brendan's 6th Form College
LSC

3 Berkshire College of Agriculture
LSC

- Bob Walding – Area Director, MKOB
- Isabelle Wragg - Regional Property Advisor

4 Bishop Auckland College
LSC

- Chris Todd - Regional Finance Team
- Linda Bailey – Partnership Director
- David Johnson – Regional Property Advisor

5 St Charles 6th Form College
LSC

- Joyce Roberts – Partnership Director
- Catherine Davies – Regional Property Advisor

Other LSC Staff

- Philip Head
- David Russell
- Denis Miles
- Judith Wilson
- Roger Taylor
- Pete Sanders

Meeting chair Norman Boyland

Minute taker Pete Sanders

Date created 22 July 2008

Document ref. \\lsc.local\User\$\CVH\sandersp\Capital\nat-capitalcommittee-minutes-17jul2008.doc