

# Minutes



Leading learning and skills

**Date** 18 January 2008  
**Subject** Capital Committee  
**Location** Centre Point  
**Time** 10:30  
**LSC office** National Office  
**Publication intent** Internal

**Present** Norman Boyland (Chair)  
Richard Haynes  
Alan O'Neill  
John Bull  
John Taylor  
Lynne Morris

**In attendance** North Devon College:  
David Dodd - Principal  
Karen Trigger - Vice Principal  
Martyn Jones - Drivers Jonas  
Mark Harvey - LSC  
Mike Croker - LSC  
John Chudley - LSC  
Calderdale College:  
Tony Longworth - Interim Principal  
Denise Cheng-Carter - Vice Principal  
Stephen Byrne - Head of Estates  
Mike Green - LSC  
Richard Hoyle - LSC  
Mike Lowe - LSC  
Gateway College:  
Nick Goffin - Principal  
Nigel Proctor - Deputy Principal  
Hamid Ravat - College Accountant  
Nolan Smith - Fusion  
Mary Rogers - LSC  
Dianne Brown - LSC  
Peter Newsom - LSC  
St Helens College:  
David Johnson - LSC  
Steve Dunmore - LSC  
Helen France - LSC

**LSC staff** Nicola Scott - LSC  
Philip Head  
Denis Miles  
Judith Wilson  
David Russell  
Roger Taylor  
Pete Sanders

**Apologies** Apologies have been received from:  
Terry Dabbs  
George Sweeney

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

1.1 The Chair welcomed the Committee and noted the apologies. There were no declarations of interest.

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

2.1 The minutes were approved, subject to a list of amendments passed to the clerk.

## **Item 3. Matters arising**

- 3.1 **Item 3.1** – Machinery of Government. David Russell confirmed that there is now less certainty from DIUS about a successor skills body. The three month consultation will now begin in late February or early March; it cannot be much later than this as the legislation must be discussed before the summer recess in order to keep to the timetable.
- 3.2 **Item 4.35** – Harrow College. The issues of space considerations and lifts have now been investigated as requested by the Committee. The independent consultants appointed by the LSC have confirmed the college's approach is justified. It was also noted that the college had used an incorrect calculation to determine their space requirements; the correct figures show that the college is actually slightly undersized. The escalators are likely to pose some health and safety issues that the college will have to address. Learner numbers will still have to be considered. The Capital Committee and national Council were very concerned at the increases in both the scale and costs of this project proposal since it was originally considered. It expected the college and its project team to use their best endeavours to ensure that the project costs are contained within the estimated costs of £112,683,403 agreed by the Council and that there are no further material increases in the scale or costs (other than for building cost inflation) of this project proposal. The LSC's Area Team was also asked to review and, if necessary, revise the

learner number assumptions and projections before the detailed application comes forward for approval.

**Decision:** The Committee agreed to endorse the £112.638million project on an in principle basis for approval by the National Council at an indicative 67% (£75.468million) grant support level.

#### **Item 4. Capital Applications for Approval by the National Council**

- 4.1 The Chair confirmed his general views about a lack of ambition in some recent projects and realism in others about learner numbers. Colleges should be challenged to improve learner numbers, and the LSC challenged about funding additional growth. Fully funded learning and further engagement with employers must be encouraged more.
- 4.2 It was noted that funding for adult non-priority learning is much reduced now. Learner numbers on Train to Gain is growing but the current rate is still not sufficient to meet the LSC's 2010 targets.

#### **North Devon College**

- 4.3 This is a highly successful college based in Barnstable and a recent OfSTED report has awarded it a grade 1 in every category. It is the only college for 30 miles in predominantly rural area and as such must provide the entire curriculum, classes are generally small. Its bid to merge with East Devon College has recently been approved.
- 4.4 The geography of the area has limited the number of suitable sites for the relocation and the Seven Brethren site near the town centre is probably the only realistic option despite needing additional flood defences. The current estate is aging and no longer fit for purpose. The college estimates that circa £30million would need to be spent on the current accommodation to meet the college's minimum requirements.
- 4.5 North Devon is the same size as West Sussex but with one fifth the population size. There is no dual carriageway and only one road in and out of the area. The area generally has low aspiration in both learners and industry. Demand for learning must be stimulated as well as met. Educational standards in the area are not high.
- 4.6 The college is already at capacity having grown substantially over the last 3 years. The demographics now show a decline in the cohort and the new building will be large enough to meet all projections of learner numbers. Train to Gain is delivered mainly off site.
- 4.7 Traffic through the town centre will be reduced by not having a car park. Staff and learners from outside Barnstaple will use the park and ride 1.5 miles away. The college will have to contribute to this, relying on public transport.
- 4.8 A local authority school sixth form centre will be opening soon in Barnstaple which will provide some competition. The region is itself a clearly defined area with a defined population. The college will never be able to attract learners from outside the area and therefore the growth has a natural limit.

- 4.9 The pedestrian bridge is an aspiration of the local councils and whilst the college will have to give a contribution the final amount is still being negotiated. The SWERDA is also contributing £3.5million to a part of the wider regeneration which the college will benefit directly from.
- 4.10 The project already has a significant negative NPV, the atrium costs have yet to be included and VAT implications are still being discussed. The new economic appraisal model will show that there is a very wide social and economic benefit to this project.
- 4.11 An experienced project manager has been recruited. This will be a challenging time for the college who will have to manage a merger at the same time. A joint working party has already been established to ensure this is the right solution for the merged college; the merging college is too far away to be able to share many facilities.
- 4.12 The members commented that is a fantastic project at a highly successful college with poor accommodation however there was concern that the costs are not justified by the added social value.
- 4.13 It was agreed that project management, student numbers, risk management and learner numbers would need to be addressed at the detailed application stage. Further discussions should also be held with the local and district councils to reduce the college's financial commitments to other projects. Capital Committee agreed to recommend that the college address its business case which to date indicated a negative net present value so as to improve both its learner number projections and financial viability. The college should also vigorously address the possibility of increasing the investment from other bodies reflecting the contribution the project would make to the regeneration of Barnstable as the college appears to be making a disproportionately high contribution to external project costs.
- Decision:** The Committee agreed to endorse the £95.137million project on an in principle basis for approval by the National Council at an indicative 77.5% (£73.731million) grant support level.

#### **Calderdale College**

- 4.14 The Committee was given a brief background on the college, which is a medium sized general FE college in Halifax. The current accommodation is largely 50 years old and structural viability of the current buildings is estimated to be a maximum of 10 years. The buildings are inflexible and security is an issue. A creative and conservation skills centre was completed in 2004; the total cost was £3.3million with LSC grant support of £1.5million.
- 4.15 It was noted that there are five other colleges within a 20 mile radius however these tend to be in valley communities and do not impact on each other as much as they would in flatter areas. There is a close working relationship with the other providers in the area which has the brand name "Campus Calderdale".
- 4.16 A projected 12% increase in learner numbers is estimated from 07/08 to 10/11 however income does not increase significantly in this period. The growth in Train to Gain alone would be expected to add around £1.5million. The College explained that ESF funding for a large project will be ending in

that period and £0.75million LIF funding will also cease. These losses mask the increase in income from the increasing learner numbers. It was noted that the financial analysis in the papers was based on the project costs plus inflation.

- 4.17 A new Principal has been appointed and will be starting soon. He has a lot of experience with capital projects and will be well placed to see this through to completion.
- 4.18 Demand led funding has been very successful so far but is now limited by the current accommodation. Progression rates have increased in the last 3 years and the NEET group has shrunk by 1% to around 8% in a cohort size of approximately 8,000. 19+ learner numbers has been kept deliberately flat whilst 16-18 learner growth has increased significantly. Further growth is likely to come from train to gain which is provided entirely off site.
- 4.19 The college will be a building site for 3 years, however the construction team have already planned how to minimise the impact to the students and staff and keep the college running effectively. The student experience will be affected, but there will also be learning opportunities associated with the build.
- 4.20 The sports curriculum has, to some extent, dictated the space and shape of the building. This has prevented all of the accommodation being on one side of the road. Planning constraints prevent the building being taller or closer to the boundary. Closing or diverting the road has been investigated and is not a viable option.
- 4.21 The tendering has been based on a single detailed application and implementation in one contract but in reality the project will consist of approximately 9 consecutive stages. A single tender over three years will increase the costs and the risks to the college. The Capital Committee, therefore, agreed to recommend that in principle support for these project proposals should be subject to the condition that the project should be implemented in phases with no less than two and possibly more individual substantive phases for which individual detailed applications should be made. It was considered that a single contract over three years would increase the costs and the risks to the college. The assumption would be that the college would have successfully completed the first phase before implementing the second phase and so on.

**Decision:** The Committee agreed to endorse the £45.562million project on an in principle basis for approval by the National Council at an indicative 88% (£40.095million) grant support level.

### **Gateway College**

- 4.22 The college was given in principle approval in June 2006, at the time the costs were thought a little optimistic. The current figures are now realistic.
- 4.23 The project was planned to be funded predominantly through a land sale to Redrow. The college were informed last week that Redrow have now reduced their offer price by £800,000 and will decide at the end of February whether or not to withdraw from the sale completely. The Committee were

told that whilst a complete withdrawal is unlikely it has already happened in other projects.

- 4.24 The site sale will be a key issue, this is the first time a developer has withdrawn between the agreement in principle and the detailed approval but given the current economic climate it may well be the first of many. The land is co-owned by Leicester City Council which will want to remarket it as soon as possible.
- 4.25 Learner growth has been amended from 1,500 to 1,400 to 2012/13. The baseline originally included adult learners which the college is moving away from. The income figures in the papers are accurate and based on the lower growth.
- 4.26 The college's original application had assumed that it would receive income from two land sales being £4,750,000 for Newark (its present city centre site in Leicester) and part of £10,284,105 sale proceeds expected from the sale of the Blackbird Road disused playing fields, being sold jointly with Leicester City Council. After accounting for disposal costs the college's net disposal proceeds were estimated at £14,834,000. However, Redrow, the proposed purchaser of the Blackbird Road site, had reduced its offer by £1,277,470 citing "market forces" and subject to its main Board approval on 19 February 2008. At a meeting with the college and its property advisers Innes England, officers from Leicester City Council advised that it would accept the revised offer. If the college and Leicester City Council accept the revised offer the college's portion of the sale receipt will drop by £807,105. The college, however, expressed concerns that Redrow might withdraw from the sale altogether.
- 4.27 The committee agreed, therefore, to exclude income from the sale of the Blackbird Road site from the calculation of project affordability at the present time on the basis that this would increase the grant support rate from 46% to 77%. Should Redrow complete the purchase of the Blackbird Road site as previously intended the college's share would be credited in full to the Council to abate the Council's grant support by an equivalent amount. Should Redrow not complete the purchase of the Blackbird Road site, the college should liaise with Leicester City Council to agree to re-marketing the jointly owned site as soon as reasonably possible. The LSC would receive the benefit of the sale proceeds up to the figure Redrow had originally agreed to pay with the College and the LSC equally sharing any surplus.

**Decision:** The Committee agreed to endorse the £32.90million in detail project proposal for approval by the National Council at the 77% (£25.333 million) grant support level. This is conditional on any sales proceeds received from Redrow and other vendors being repaid in full as set out in paragraphs 4.25 and 4.26 above.

### **St Helens College**

- 4.28 The committee was reminded that this was a detailed application. There had been a small increase in costs since the in principle stage due largely to the increased demolition costs, however these have been mitigated by decreasing the spend on refurbishment. The cost per square metre slightly

exceeds the guidelines but falls within them once exceptional costs are taken into consideration.

- 4.29 The decant will be straightforward and there is a detailed plan which is robust.
- 4.30 It was noted that the contingency was low however the costs are fully tendered. The spent on fixtures and fittings is also low however the expensive items such as IT equipment will be in the second phase.
- 4.31 The biggest risk is on the land sale. The site has been designated green space and there is currently a moratorium on residential development. The local authority had admitted the designation was a mistake and will be amended to residential. The risk will be whether the LSC will fund the second phase at a higher rate if the sale price is not met.
- 4.32 The college income has decreased between approval in principle and the detailed application. This has resulted in a lower borrowing requirement and therefore an increased grant.
- 4.33 Adult learner numbers are decreasing as much of the provision is no longer priority learning. The adult learners who do remain will all be contributing to LSC targets by 2010/11.
- 4.34 The North West RDA were approached for funding, however nothing was available due to their commitment to the Merseyside regeneration.
- 4.35 The Committee agreed that college should, as a condition of consent, progress all necessary approvals for and undertake the implementation of the second phase works in accordance with the college's approval in principle dated 13<sup>th</sup> February 2007 so as to address space utilisation, estate, functionality and condition issues.

**Decision:** The Committee agreed to endorse the £31.146million in detail project proposal for approval by the National Council at the 70% (£21.802million) grant support level.

#### **Item 5. Update on projects approved more than 12 months ago.**

- 5.1 Philip Head introduced the paper which updates the Committee on the progress made to the 14 projects granted in principle approval before January 2007 but have not yet presented a detailed application.
- 5.2 It was noted that some projects will have to return to the Committee for a second in principle application. Members questioned whether Newcastle-under-Lyme college should proceed directly to an in detail application next month considering costs have increased from £27.4million in July 2005 to £52.5million; a revised in principle application should be made. It was noted, however, that the project had been delayed for reasons outside the college's control and that this had significantly added to the project costs.

#### **Item 6. Projects Approved under Delegated Authority**

- 6.1 The Committee noted the approvals granted under delegated authority for City of Westminster College and Heathfield Community College.

## **Item 7. Any other business**

### **Membership**

- 7.1 A recent paper to the Management Group made some recommendations regarding the membership of this Committee in light of the size and number of projects being considered. Chris Banks is now hoping to recruit another National Council member and members from Regional Boards will also be sought. The latter will not only help with the membership of the Capital Committee but will help build Regional Councils' capital expertise if and when they receive further delegated authority. Existing members should remain until the end of the year.
- 7.2 The level of delegation will be reviewed at the end of 2008-09 after the Regional Councils are fully established.

### **Work Based Learning Eligibility**

- 7.3 Pricewaterhouse Coopers have completed a report recommending WBL learners should benefit from some capital support. The recommendations have been broadly agreed but the report specified capital money should only benefit non-profit WBL providers. The report will be e-mailed to members before the next meeting.
- 7.4 DIUS lawyers are currently considering the legal implications of this, including European regulations on State-aid.

## **Item 8. Date of next meeting**

- 8.1 It was agreed that the February meeting should be moved due to members being unavailable and it was noted that this might also mean that the March meeting might have to be put back into April.

<b>Meeting chair</b>	Norman Boyland
<b>Minute taker</b>	Pete Sanders
<b>Date created</b>	24 January 2008
<b>Document ref.</b>	\\sc.local\User\$\CVH\sandersp\nat-capitalcommittee-minutes-18jan2008.doc