

# Minutes



Leading learning and skills

<b>Date</b>	18 November 2008
<b>Subject</b>	Capital Committee
<b>Location</b>	Centre Point
<b>Time</b>	10:15
<b>LSC office</b>	National Office
<b>Publication intent</b>	Internal

**Present** See Annex A for a list of attendees

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

1.1 The Chair welcomed the members and noted the apologies.

1.2 The following declarations of interest were made:

Norman Boyland for SE Region projects:

- Oxford and Cherwell College,
- Thanet College
- Itchen College.

The Colleges have all presented to the South East Regional Council which Norman Chairs.

1.3 Lynne Morris for Sutton Coldfield College which is a neighbouring college to Joseph Chamberlin College where Lynne is currently the Principal.

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

2.1 The minutes were approved subject to the following changes:

- Item 4.20 – the final word should be “reasonable”.
- Item 4.32 – the final sentence should read “...and therefore some were not central to the college’s main business.”
- Item 4.41 – “College” should be replaced with “Regional Capital Committee”.
- Item 4.44 – should contain a follow up action for Denis Miles.

### **Learning and Skills Council**

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

- 3.1 Item 6.6 – The Committee was given an update on the additional funding. The LSC has requested £109 million be brought forward from next year's budget. A decision was due the following Monday when the Pre-Budget report was due to be published.
- 3.2 At its November meeting the Council had agreed the projects recommended on both an in principle and detailed basis for approval by the Capital Committee at its 19 September meeting. Those projects agreed on an in principle basis will be the subject of further discussion with the colleges concerned as to the commencement and phasing of LSC grant support before they come forward for detailed approval next year.
- 3.3 But the Council had not had time to consider and determine the projects (both in principle and detailed) recommended at the 22 October Capital Committee meeting and deferred their consideration until the Council meeting on 17 December 2008. The colleges concerned are: Bradford College, Peterborough Regional College, Sandwell College, Tresham Institute, Telford College, West Kent College (detailed), Bolton Community College (detailed), Bolton Sixth Form College (detailed), Liverpool Community College (detailed) and Solihull College (detailed).
- 3.4 The Council had also requested for its December meeting a review of the current and anticipated budgetary position across the current CSR period and, if necessary into the next one, so that it could be informed of the potential headroom for approving projects in the future.
- 3.5 The Council had also endorsed the merits of a range of measures that might be introduced to help keep the potential flow of capital applications in line with the funding likely to be available over the CSR period. In particular, those relating to, firstly, assessing the relative priorities of projects in the "pre-AiP" pipeline, secondly, introducing a pre-approval Gateway review process and, thirdly, revised timings for the preparation of regional capital strategies, all of which would be further reviewed at the December Council meeting.

### **Item 4. Projects for Approval by the National Council**

#### **Oxford and Cherwell College**

- 4.1 The formation of this college was the result of a merger of three financially weak colleges – two of which were in special measures – and it has four campuses. The project proposals presented to the committee aim to rebuild three of the campuses as part of the financial recovery plan. It will be a difficult project and the start date of the three projects will be staggered to try to reduce the complexity. The college believed that it would not be financially secure without all three phases.
- 4.2 Success rates have increased year-on-year since the merger whilst operating deficits have reduced over the same period; an operating surplus is forecast in 2008/09.

- 4.3 16-18 FTEs have increased 11% since 2004/05 and the college is confident the projected learner growth is achievable. There is a significant NEET group as well as a high proportion of ENTs (in Employment with No Training).
- 4.4 The compulsory purchase of one building has already been completed and the college vacated the property in July, this raised £3.6million. The move required a significant accommodation reshuffle across three campuses but was achieved on time and with minimal disruption to the learners. There is still a further £10million needed from other site disposals; in the current economic climate it may be difficult to obtain the total value.
- 4.5 The three building phases are planned to overlap, so that the second phase at Banbury will start approximately 18 months after the first phase at Oxford, with the Blackbird Leys site in Oxford starting approximately 2 years after that in the final quarter of 2013.
- 4.6 The decant strategy is robust; rented accommodation will be used for learners vacating two of the buildings. Learners in the other seven buildings will not need to be decanted.
- 4.7 An internal project co-ordinator and project manager will be recruited, the external project management team is already in place. Staff will be appointed in each curriculum area to ensure there is no loss of quality during the build.
- 4.8 The Committee expressed concern that the Principal has many commitments outside of the college which could potentially take time and attention away from this complex project. It was noted that the Principal has already stepped down from many of these additional roles and is prepared to step down from the others if necessary.
- 4.9 The Oxford city centre is currently being regenerated. It has been proposed that the college location will be surrounded by a mixture of commercial and civic buildings. Approximately 22% of the exceptional costs relate to the city centre location and the materials needed to have the college in keeping with its surroundings. The costs are within the LSC benchmark and an external company have calculated and checked the figures.
- 4.10 The Committee was also concerned that there would be a large increase in costs between this agreement in principle application and the detailed application. The college reassured the Committee that the figures are accurate.
- 4.11 Having both s106 and the planning tariff applied to the purchase and to the development of the site is unusual for community infrastructure and is more commonly associated with commercial developments. The college had already negotiated the s106 costs down to half the original figures and the City Council will not give further concessions.
- 4.12 The Committee noted that the costs are currently four times larger than the college turnover; the college was warned that given the relatively small learner numbers it would be very difficult to approve the project at the detailed application if costs increased any further. It is extremely difficult to forecast to 2015 with any certainty, land valuations and building materials will change. The college cannot expect the LSC to fund any funding shortfall.

- 4.13 Historically the three former colleges had not had any investment and recent inspections have highlighted the poor quality of the current accommodation.
- 4.14 Staffing costs as a percentage of income are 3% higher than average. Due to the locations of the three campuses it is difficult for staff to move between sites. The college believed it would be difficult to rationalise staff numbers further.
- 4.15 The due diligence conducted before the merger indicated that the college needs to have an income of £35million a year to be viable. The financial forecasts show little improvement in income for four years and will not exceed £35million for another six years. The income projections need to be improved before a detailed application is submitted.
- 4.16 Adult learner numbers are relatively flat, and the overall growth is not sufficient. The Committee believed that the learner projections were overly conservative and were therefore underestimating the income.
- 4.17 The Committee believed that this project should come back as three separate projects. Phase 1 should be supported now but phases 2 and 3 must return at a later date for AiP.

**Decision:** The Committee agreed to endorse phase 1 of the £122.385million project proposals on an in principle basis for approval by the National Council. The budget for this phase should be £61.4million, an indicative grant support rate cannot be determined using the financial forecasts for the whole project however the indicative grant support for the three phases as a whole would be 83% (£101.580million).

### **Sutton Coldfield**

- 4.18 The Committee was informed that the proposed merger with Matthew Boulton College is currently being considered by the Secretary of State and a decision is not expected until early December. No merger has been approved recently and Parliamentary Under Secretary of State for Further Education Siôn Simon – who is also the MP for Erdington – is known to have expressed concerns about the merger.
- 4.19 The financial forecasts and learner projections have assumed a merged college. The Committee was also informed that the Principal of Sutton Coldfield College is also the Principal of Matthew Boulton College. The two colleges also share a senior management team.
- 4.20 The internal project management team is very experienced and the professional team has already been selected. The timelines are challenging but achievable and have been drawn up by the external project managers.
- 4.21 The Committee noted that planning a merger is a challenging undertaking and completing a £77million capital project at the same time will be extremely difficult if standards are to be maintained. The Colleges have already done a great deal of groundwork for the merger and the strategic plan to run the two colleges as one has been in place for some time. The colleges feel they had already proven the educational and economic benefits of a merger.
- 4.22 It was noted that without the merger the legalities would be complex; there would need to be a leasing arrangement between the two independent

corporations. The Regional LSC has already recommended the merger to the Secretary of State, but the message given by ministers is that the presumption should be against mergers being successful. With the decision due within a month the Committee felt it inappropriate to pre-empt the Secretary of State's judgment.

- 4.23 If the merger is not approved there will be little impact to the project. The building size and design will remain unchanged and the project will be presented at the detailed application as a joint development. Financial forecasts and learner growth projections have both been based on the assumption of a merged college.
- 4.24 Costs are more certain than many projects at AiP as the timetable is moving so fast. The detailed application is due to be presented early in the New Year. The disposal site has been earmarked for use in the Building Schools for the Future programme and access to the site will be needed as early as possible. Detailed planning consent was submitted in October and a decision is due in January.
- 4.25 There is a minimal risk of flooding on the site, estimated to be a 1 in 100 year recurrence interval in the far corner of the plot. The foundations will need to be raised by a metre due to the higher water table. Bore holes have already been sunk to investigate the site.
- 4.26 The West Midlands Regional Council had requested clarity on what provision will remain in Erdington, the timetable of the build and the land receipts, and the workings of the local partnership. This will be considered at the detailed application.
- Decision:** The Committee could not endorse this in principle application until after the Secretary of State has decided on the merger. If the merger is approved the project will be confirmed as endorsed for approval at the following National Council meeting. If the merger does not proceed the project must return to the Committee for agreement in principle.
- 4.27 The finance team confirmed that the grant support for this £77.270million project would be 66.2% (£51.153million) should the Committee endorse the project.

### **SWISS Community College**

- 4.28 The Committee was told that there is a great deal of confidence in this scheme, it has been well managed by the local authority and partner schools and since the agreement in principle stage the plans have been progressed well. The land has been purchased, the s106 costs have been reduced and planning permission has been granted.
- 4.29 There is a possibility that the designation of the Community College may change to a 16-19 FE college in future. There are currently no plans for this change which would need Secretary of State's approval.
- 4.30 The Committee noted that the profile payment needs reconsidering as the [projected payments currently ending in March 2010 had not been agreed with the budget holder, and, for example, some costs would be incurred in 2011-12.
- 4.31 There will only be approximately 2,000 learners in 2014, however all of these will be full time which equates to approximately 5,000 FTEs. It is difficult to compare this to other projects as it is a new school, not an FE college. Members were reminded that schools have exceptional costs such as sprinkler systems and disabled access to all parts that are not required at FE colleges.
- 4.32 The costs are very similar to those presented at the agreement in principle application.  
**Decision:** The Committee agreed to endorse the £69.573million detailed project for approval by the National Council at the 91.33% (£63.538million) grant support level.

**The Committee was inquorate after this point. All further decisions are subject to ratification at the December Capital Committee meeting.**

### **Northampton College**

- 4.33 The Committee were told that the costs are very similar to those seen at the AiP stage however phase 2 has been removed from this proposal and will be coming back separately at a later date. The second phase costs have escalated, and the size and costs of both phases have increased. Costs of phase 1 are within the cost norms.
- 4.34 Members noted that the number of guided learning hours increases by more than 17% but the increase was not reflected in a similar increase in learner numbers. The finance template was incorrect, the borrowing rate does not change at all regardless of the intervention rate, cash days in hand were large and negative and income projections have been based on both phases and not phase 1 as a stand alone project, there was an unexplained income jump of £3million between 07/08 and 08/09 figures. Finance officers felt that setting an intervention rate was therefore impossible.
- 4.35 The Committee noted that there was a strong education and property case for this project.

**Decision:** The Committee did not endorse the project. This should return to the Regional Council for approval in detail addressing the points raised by members before returning to this Committee.

### **Thanet College**

- 4.36 The Committee was reminded that the National Council approved the agreement in principle in July 2007, since then the project has changed significantly.
- 4.37 An offer has been made on the £6.759million disposal site and the transaction will still go ahead. A deposit will be received soon with the remaining balance paid on completion of the project and the land is vacated. The project is 6 times the college income, however currently the financial forecast drops the college into category C; this is not allowed by LSC rules and must be revised before the detailed application.
- 4.38 The college is seeking to come back for detailed approval around April or May 2009. The plans are already beyond stage D design and are close to stage E. Costs are well known. The college is hoping to start on site in September 2009 with the final price being agreed in March 2009.

**Decision:** The Committee agreed to endorse the £71.691million project on an in principle basis for approval by the National Council at the 88% (£63.088million) grant support level.

### **Somerset College of Arts and Technology**

- 4.39 This is the final phase of the college's redevelopment. There percentage of HE FTEs at the college will be 19.4%, the Committee were reminded that this is just below the LSC threshold. There is no university in Taunton so there is a need for some HE provision. Taunton itself will be going through a redevelopment soon and it is likely that there will be significant investment in the area.
- 4.40 Members felt that the learner growth was not ambitious enough. The college believe that it is achievable and realistic and they do not want to take learners away from other providers but to attract new learners into education.
- 4.41 The project is very close to the space norm limits due to the significant provision of HE which requires more space than FE provision. There is no contribution for the HE aspect of this project and HEFCE cannot fund it directly as it is not an HE college. The Committee felt that the University of Plymouth must contribute to the project.
- 4.42 The RDA will contribute to the infrastructure of the area but not to the college specifically.
- 4.43 As the project stands the College want a single detail application despite some building work not starting until 2010. The Regional Council have requested that the project is split into two phases and the college should return separately for approval in detail of each phase.
- 4.44 The Committee noted that paragraph 73 of the paper stated that the college felt the project should be assessed at a lower level of borrowing. The Finance Officers confirmed that the finances have been assessed on the

same criteria as every other project and borrowing levels are calculated by strict affordability rules.

**Decision:** The Committee agreed to endorse the £45.640million project on an in principle basis for approval by the National Council at the indicative 91% (£41.532million) grant support level with the conditions imposed by the Regional Council.

### **Stanmore College**

- 4.45 The Committee were told that this is a small general FE college approximately one mile from Harrow College which is developing its own £112.638million capital project which the Committee granted in principle approval in January this year at an indicative 67% grant support level. The college is also close to Barnet College.
- 4.46 The Principals of Stanmore College and Harrow College had written a joint letter to confirm there is collaborative work between the colleges without duplication. The curriculum will be complementary and jointly planned. A merger was discussed but neither college felt it was in their best interests.
- 4.47 The Committee felt that the papers did not demonstrate a strong argument for investment in the college given the level of funding in the surrounding area. The Regional LSC confirmed that 20% of the learners at Stanmore come from the Brent area which has no more capacity for learners and no space to expand.
- 4.48 A refurbishment would be significantly cheaper but would not solve the problems or provide the same long term solution. The college needs to grow and some new build would be needed regardless. The benefits of the new build over refurbishment were not reflected in the NPV figures.
- 4.49 Members were informed that Harrow College cannot accommodate the learners currently at Stanmore, the site is extremely restricted and is unable to expand significantly. Barnet college is geographically close but difficult to get to due to the transport links between the two.

**Decision:** The Capital Committee agreed that it required further evidence that the curriculum at the Stanmore, Harrow and Barnet are colleges complimentary and therefore did not endorse the project proposal at this point.

- 4.50 It was requested that both Stanmore and Harrow Colleges should be brought forward with an overarching paper, endorsed by the Greater London Regional Council, on how the two projects compliment each other.
- 4.51 The Committee noted that the Regional Council must address these issues in future.

### **Itchen College**

- 4.52 Members were informed that the project is at an early stage C design and has come forward sooner than most projects. The college want to get fee support to develop the plans and to have some knowledge that if they purchase the site there is agreement in principle for a project to be developed

on that site. The cost certainty is therefore low and could change significantly.

- 4.53 There is a need for this project and the Regional Council did not find any significant barriers although there was uncertainty over land availability which needs to be resolved with the City Council.
- 4.54 The college will need to return for a second agreement in principle if the costs increase by 10% above the levels in the paper. The size of the car park and the VAT issue will need further investigation; it is unlikely that VAT will need paying.
- 4.55 The college are keen to develop the plans as quickly as possible and are aiming to return to the Committee in July for approval in detail. The project is due to start on site in October 2009.

**Decision:** The Committee agreed to endorse the £42.982million project on an in principle basis for approval by the National Council at the indicative 87% (£37.394million) grant support level.

### **Item 5. Hampshire and the Isle of Wight College**

- 5.1 The Committee was asked to consider the tabled paper on Hampshire and the Isle of Wight, the project was last seen by the Committee at the June meeting at which there were several concerns raised.
- 5.2 The project is now £6million cheaper despite an additional £3million needed to meet the now compulsory requirement to achieve a BREEAM rating of excellent. The outcome of the review was even better than the LSC had expected. The Committee noted the progress made by the college and members were satisfied that their concerns had been addressed.

**Decision:** The Committee agreed to endorse the £81.329million project on an in principle basis for approval by the National Council at the 91% (£74.009million) grant support level.

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

#### **Sir John Deane's Sixth Form College**

- 6.1 The project is in two phases to minimise the disruption caused by the decant, however it was cheaper to keep a single contract for both phases.
- 6.2 The negative NPV using the previous model was signed off at AiP and the exceptional costs of £1.8million are due to the extensive landscaping, the large quantity of temporary accommodation and the number of blocks that will be built.
- 6.3 The Committee noted that the drop in income during the build despite stable learner numbers was the result of a decrease in SLNs during the period.

**Decision:** The Committee approved the £27.803million detailed project proposal at the 86.9% (£24.163million) grant support level.

#### **Loretto College**

- 6.4 This will be the final phase of the project to replace the outdated accommodation. The college is overcrowded due to substantial growth in the

past; the learner numbers will become stable after the build. No decant will be necessary during the build.

- 6.5 The GLH increases year on year but the income decreases from 07/08 to 08/09. The Committee was informed that the decrease is due to the loss of some additional funding.
- 6.6 The Finance Officers noted that the cash days in hand and adjusted current ratio needs looking at, as 21 cash days in 2010 equates to a ratio of 1.19 yet 23 cash days in 2014 equates to a ratio of 2.43 without any obvious explanation.

**Decision:** The Committee approved the £19.909 million detailed project proposal at the 75% (£14.932million) grant support level.

#### **Newcastle under Lyme Sixth Form College**

- 6.7 The college has now received planning permission. The Committee noted that the College have been forewarned that they may have to vacate their leased accommodation at any time. A search for other leased properties in the area has found nothing suitable.

**Decision:** The Committee approved the £6.205million detailed project proposal at the 85% (£5.275million) grant support level.

#### **Colchester Sixth Form College**

- 6.8 The Committee noted that the decant will be particularly difficult, and that planning constraints will make any future expansion extremely difficult. The learner growth will only be 150.
- 6.9 This is an excellent college in extremely cramped accommodation, it is currently oversubscribed and will continue to be so after this project is completed.
- 6.10 The Committee noted an error on the papers which stated learner growth exceeded 200 additional 16-19 learners within 2 years on several occasions which would require a competition. The regional LSC confirmed the misprint and clarified that the income projections were based on the correct figures.

**Decision:** The Committee approved the £26.345million project on an in principle basis at the indicative 89% (£23.477million) grant support level.

#### **Item 7. Projects approved under delegated Authority**

- 7.1 The Committee noted the paper and the 16-10 Capital Fund projects from Leyton Sixth Form College and Ripon Grammar School.

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

- 8.1 There were no further items.

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

- 9.1 The next meeting of the Committee will take place on 4 December.

## **Annex A**

### **Capital Committee – 18 November 2008 - Attendees**

#### **Members Attending**

Norman Boyland – Chair  
Richard Haynes  
Malcolm Trobe  
Lynne Morris  
George Sweeney

#### **Apologies for Absence**

John Bull  
Mike Collier  
Maggie Galliers  
Peter Ibbertson  
Ashley Winter  
Paul Jagger  
Edward Libbey

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

##### **1 Oxford and Cherwell College**

###### **College**

- Sally Dicketts - Principal
- Stephen McCormick

###### **LSC**

- Bob Walding - Area Director
- Isabelle Wragg - Regional Property Advisor
- Pauline Tiller – Director of Finance and resources
- Chris Birt – Regional Finance

##### **2 Sutton Coldfield College**

## **College**

- Christine Braddock - Principal/Chief Executive
- Bob Pattni - Executive Director Finance and Data
- Clive Hill - Executive Director IT and Estates

## **LSC**

- Peter Brammall - Area Director
- Debbie Callaghan – Regional Property Advisor
- Chris Knight – Regional Finance
- Stephen Packham – Regional Director of Finance

## **3 Thanet College**

### **LSC**

- Isabelle Wragg - Regional Property Advisor
- Pauline Tiller – Director of Finance and resources
- Chris Birt – Regional Finance

## **4 Somerset College of Arts and Technology**

### **LSC**

- Trish Taylor - Area Director
- Sally House Partnership Manager
- Mark Harvey – Regional Property Advisor

## **5 Stanmore College**

### **LSC**

- Pravin Parmar – Senior Property Advisor
- Clare Arnold – Area Director
- Abs Malik - Partnership Director
- Raza Raheem – Regional Finance Director

## **6 Northampton College**

### **LSC**

- Dianne Brown – Regional Property Advisor
- Andy Neill – Regional Finance

- Liz Searle – Area Director

## **7 SWISS**

### **LSC**

- Keith Felgate – Regional Property Advisor
- Alan Searle – Regional Finance
- Judith Mobbs – Area Director

## **8 Itchen College**

### **LSC**

- Isabelle Wragg - Regional Property Advisor
- Pauline Tiller – Director of Finance and resources
- Chris Birt – Regional Finance

## **Item 5 – Capital Applications for Approval by the Capital Committee**

### **1 Sixth Form Centre, Colchester**

#### **LSC**

- Keith Felgate – Regional Property Advisor
- Janice Logie – Area Director
- Alan Searle – Regional Finance

### **2 Sir John Dean College**

#### **LSC**

- David Johnson – Regional Property Advisor
- Liz Davies – Area Director
- Steve Dunmore – Regional Finance

### **3 Loreto College**

#### **LSC**

- David Johnson – Regional Property Advisor
- Steve Dunmore – Regional Finance

### **4 Newcastle Under Lyme College**

- Mike Bell - Area Director.
- Debbie Callaghan – Regional Property Advisor
- Chris Knight – Regional Finance

**Other LSC Staff**

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

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