

Minutes



Leading learning and skills

Date	19 February 2009
Subject	Capital Committee
Location	Centre Point
Time	13:30
LSC office	National Office
Publication intent	Internal

Present Please see Annex A for a list of attendees

Item 1. Welcome and introductions

- 1.1 The Chair welcomed the members and the invited guests to this unusual meeting of the Capital Committee. The apologies were noted.
- 1.2 The following declarations of interest were made:
 - Douglas Hands for Lewisham College where he is Chair of Governors. Lewisham is one of the projects currently between AiP and AiD approval.
 - Richard Haynes for Lewisham College, his firm has advised the College on the project.

Item 2. Minutes of last meeting

- 2.1 Item 4.2 – The minute should be amended to read “£110million from the 2010/11 budget”.
- 2.2 The minutes were approved.

Item 3. Matters arising

- 3.1 Phillip Head confirmed that all of the colleges with projects that have been affected by the recent events have now been visited by national office and/or regional and partnership team staff.

Item 4. Capital Programme Review

- 4.1 David Russell introduced the paper and drew attention to the three annexes. The paper gives the background to the current situation, annex A is the progress made since the last meeting, annex B looks at the budget position however it should be remembered that talks with DIUS are still ongoing.

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- Annex C described the possible criteria that would enable the LSC to determine the sequence with which capital projects are to be supported
- 4.2 The specialisation programme was only agreed 6 months ago, it is not for the LSC to alter it at this stage. DIUS would determine Ministers' views as to which of the areas listed in Figure 1 of the paper are still priorities.
 - 4.3 The attention of this discussion should ideally focus on the prioritisation criteria at Annex C. Members noted that the LSC cannot do everything and there must be a way of ranking projects in the fairest and most equitable way to enable the budget to stretch as far as possible. It was clarified that categories 1, 2 and 3 in annex B indicate the type of project, not the priority.
 - 4.4 Four years ago the average project was £20m-£30m with 20%-30% grant support. More recently projects have been asking for 60%-70% grant support and projects as large as £190 million (in phases) have come forward.
 - 4.5 It is clear that expectations in the regions must be dampened and some sort of limit must be imposed on the grant support. This should be in financial terms and not percentage terms, and should apply to each phase rather than the entire project, however each phase must come forward individually and be subject to the same prioritisation procedure as every other project.
 - 4.6 It will not be until after the Foster report is published at the end of March and, perhaps after the Budget in April, that the LSC will have a clearer understanding of the situation or be able to put in place any actions that have been recommended, however there is still much work to do before the end of March.
 - 4.7 There are currently 88 projects at the AiP stage which total £3.8billion in project costs and are asking for around £2.9billion of grant support. These would – under normal circumstances – come forward for AiD within the next two years. This is approximately triple the annual budget. Additionally there are circa 60 colleges currently working up projects towards AiP which currently total £4billion.
 - 4.8 The key questions that need addressing are 'is there a need?' and 'is it affordable?' A compromise between the two answers will need to be found. Additionally there is a further need for motivating learners which is difficult to quantify and factor into the other answers.
 - 4.9 The worst case colleges must be tackled first; these will be the ones with dilapidated accommodation. It was noted that there is often little difference in overall cost between making a building fit-for-purpose and making it iconic.
 - 4.10 It was noted that setting an absolute limit on costs would prohibit building on expensive sites, such as inner city or remote rural locations. There needs to be some way of factoring this into the limit on grant support. Projects being developed now are likely to look very different after a grant support limit is imposed. Fees already spent on developing the projects will be wasted and colleges unable to capitalise costs may have to write them off entirely.
 - 4.11 The criteria should be determined and applied to the projects in annex B1, as opposed to using the projects to determine what the criteria should be. The projects in Annex B1 are ready to start on site in most cases. West Kent

College, for example, has progressed with the preliminary work without National Council approval.

- 4.12 There should be a clear distinction between pre 2010/11 budgets and post 2010/11 budgets. The 2010-11 budget has already been committed and additional funding will be very tight. If further expenditure headroom becomes available after the Budget the criteria can be applied in order to proceed with additional projects. Early indications suggest that headroom is likely to only be generated from within existing LSC budgets and only if Minister's priorities change.
- 4.13 The LSC will not exist after April 2010 and DIUS/DCSF are still determining the responsibilities for funding sixth forms colleges and if the 16-19 Capital Fund will continue. DIUS is keen to have a smooth transition from the LSC to the successor bodies, therefore the criteria set by the LSC now are likely to be carried on into the new organisations.
- 4.14 There was strong support that the eight projects that have been approved by the Capital Committee but are yet to be approved by National Council should proceed. It was felt that everything after the eight should be paused and have the prioritisation criteria applied regardless of how far the projects have developed assuming of course that additional funds could be found.
- 4.15 It was confirmed that AiP approval was not meant to give any guarantee of future AiD approval, it was simply an invitation to work up the proposals within the set fee support limits.
- 4.16 The LSC does not necessarily have a legal obligation to repay the fee support incurred by colleges not in the group of eight, however there was a strong feeling of moral duty to assist wherever possible in this.
- 4.17 Building costs have been reduced since the introduction of the framework. Common elements such as ventilation systems and stairwells are being standardised to lessen the cost to colleges. The Framework only started in May 2008. The framework does not aim to produce a standard building for all colleges. Market forces were currently pulling building costs down by as much as 10% compared to the same time last year.
- 4.18 The impact of MoG on regional offices will be significant. Whilst they will continue to exist they will be very different with a smaller presence, no regional council and many core functions will be carried out centrally. It could therefore become increasingly difficult for regional offices to set priorities and apply the criteria. Any splitting of the Capital budget into regions would create pots that are likely to be too small to be useful.
- 4.19 Members agreed that Regions should use sequential criteria to filter projects, only projects that pass on all the criteria should be passed to a National Committee who should apply a balance scorecard in order to rank each project. There should be one national budget, not regional budgets as the needs of the regions may not be equal; one region may have six projects that are more worthy than the highest priority project in the other regions. There was a great deal of support for this approach.
- 4.20 Work still needs to be done on the criteria, although there was agreement that they were broadly correct. Weighting of key criteria should be

considered. Quantitative scoring alone will not be sufficient and there must be a non-objective approach that isn't open to interpretation. Value for money should be an underlying principle across all the criteria however this is difficult to measure and there was some criticism of the Grant Thornton approach. The size and number of projects should be included in the criteria. In the current funding times several small projects or phases would be preferable to one large project.

- 4.21 The intervention rate limits were removed several years ago as the Committee did not want projects to be limited. It was felt that a need should always be funded and that limits prohibited some colleges with a clear need from developing a project. This should be remembered going forward.
- 4.22 If there is no more money available then only the group of eight projects was likely to get approval in the next two years. In 2011 there will be a budget of £500million but over £3billion of projects waiting for approval. There needs to be some way of smoothing out this influx. The limits placed on the grant support should be varied in relation to the size of the overall budget available.
- 4.23 The Chair thanked the Committee and the invited guests for the useful debate on this difficult topic. This has been a very successful programme to date and a way to continue this success will be found. The programme has not stopped, nor will it.

Item 5. Capital Project Support

Rochdale Sixth Form College and Stakehill Building Project

- 5.1 It was noted that 16-19 projects were paused at the same time as all the other projects to avoid confusion. There is still budget available for 16-19 projects and DCSF are now under pressure to continue with the spend. This project is unique and other developments are reliant on this being completed in order for others to progress. DCSF had indicated they were anxious to proceed.
- 5.2 Members were informed that the background to the project was included in the papers and that the costs are almost identical to those seen at AiP. Hopwood Hall College has had a project in development which has been delayed by the current pause in the approvals which has resulted in some changes to this project. Approval of this project does not in anyway influence approval of their other project, nor does it indicate that approval will be given in future and this would be made clear as a condition of any funding offer.
- 5.3 The college will be paying 10% of the decant cost. School projects are funded at 100% whereas 6th form colleges are funded on the affordability. In this project a 90% affordability has been negotiated.
- 5.4 An exceptional support revenue funding package of £3.450million will be needed. The details have now been drawn up and, yesterday, were sent to the LSC and DCSF. The best scenario would be that DCSF agree this package and increase their support, at worst the LSC will have to provide additional funding.

5.5 The project management is robust, the LSC initially controlled this aspect until the college was incorporated. The LSC has therefore assisted in selecting the current project management team and there are no concerns in this area.

Decision: The Committee agreed to recommend to the Council for approval the £25.113million Rochdale Sixth Form project at the 100% grant support rate. Additionally the Committee agreed to recommend to the Council for approval the £4.235million Hopwood Hall application for the Stakehill development at the 90% (£3.812million) grant support level on condition that the approval of the latter in no way affects or influences the Hopwood Hall project currently being developed.

Item 6. Any other business

6.1 There were no additional items of business.

Item 7. Date of next meeting

7.1 The date of the next meeting of the Committee was to be advised.

Annex A

Capital Committee – 19 February- Attendees

Members Attending

Norman Boyland
Ashley Winter
Richard Haynes
Malcolm Trobe
Mike Collier
John Bull

Invited Guests

Mike Beasley – West Midlands Region
Roger Begy – East Midlands Region
Douglas Hands – London Region
Bill Rutter – North West Region

Apologies for Absence

Peter Ibbetson
Maggie Galliers
Paul Jagger
Edward Libbey
George Sweeney
Lynne Morris
Denis Miles
Judith Wilson

For Item 5 –Rochdale 6th Form College 16-19 Capital Application

John Temple – Area Director Greater Manchester LSC
Rosemary Gregson - Greater Manchester LSC
Chris Griffin – Regional Finance Director – North West

Other LSC Staff

Roger Taylor
Alastair Grindlay
Phil Head
Pete Sanders
David Russell

Meeting chair	Norman Boyland
Minute taker	Pete Sanders
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