

Minutes



Leading learning and skills

Date 19 June 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

In attendance For City of Westminster College
Robin Shreeve (Principal)
David Pigdon
Jude Boardman
Andy Bugg
Jill Lowry - LSC
Catherine Davies - LSC
Raza Raheem - LSC
Simon Tolaini - LSC
For Thanet College
Sue Buss (Principal)
Karen Pilgrim
Lesley Davis
Pauline Tiller - LSC
Isabelle Wragg - LSC
For East Ridings
Derek Branton (Principal)
John Dorris
Jane Lyon - LSC
Mike Green - LSC
Richard Hoyle - LSC
For East Durham
Linda Bailey - LSC
For Walsall College
Andy Brown - LSC
Debbie Callaghan - LSC
Chris Knight - LSC
For South Trafford
Jane Bracewell - LSC

- Chris Griffin - LSC
Steve Dunmore - LSC
For Blackpool Sixth Form College
Chris Griffin - LSC
Steve Dunmore - LSC
For Wyke College
Jane Lyon - LSC
Mike Green - LSC
Richard Hoyle - LSC
For Bishop Burton College
Jane Lyon - LSC
Mike Green - LSC
Richard Hoyle - LSC
- LSC staff**
Philip Head
Alastair Grindlay
Denis Miles
Judith Wilson
Pete Sanders
- Apologies**
Apologies have been received from:
Terry Dabbs
Lynne Morris
George Sweeney
John Taylor
Richard Haynes
David Russell

Item 1. Welcome and introductions

- 1.1 The Chair welcomed the Committee and noted the apologies.
- 1.2 Norman Boyland declared an interest in Thanet College as it is located in the South East however the project had not been considered by the Regional Board meeting.

Item 2. Minutes of last meeting

- 2.1 The minutes were approved with the following amendments.
 - 1.1 should state 'The Chair' not 'Norman'
 - There are typographical errors in paragraphs 3.3, 6.4 and 5.16

Item 3. Matters arising

- 3.1 Item 8.1 Philip Head collated responses to the draft National Capital Strategy from the Committee and presented the paper to National Council.

The Council had suggested that the section on Regional Capital Plans needs more emphasis and should be brought further forward in the paper.

- 3.2 In light of the negative NPVs on some projects, consultants Grant Thornton had been commissioned to find more robust measures for the value of projects. Using social cost benefit analysis would bring the LSC in line with many other departments, and a working model could be ready for use by October. Some members of the Committee will be consulted on this new approach to ensure a consistent and robust methodology.
- 3.3 The revised 16-19 Capital Fund had been agreed and Regional Committees will now be looking at the majority of these projects.
- 3.4 The detailed application for the Keighley College capital application would be considered at the July meeting. South Yorkshire LSC and the Y and H region had assessed project affordability on Keighley College's current financial position and not that following its merger with Park Lane College and this assumption had been used in the "White File" submission to the DfES upon which Ministers had based the decision to approve the merger. Furthermore, Park Lane College had made its acceptance of the merger conditional on the merged college not accepting any more borrowing liabilities than Keighley College would have accepted.
- 3.5 Members were concerned about the need for an agreed LSC policy on such matters that regions and area teams could apply consistently rather than the Capital Committee being drawn into effectively endorsing decisions that were really outside its sphere of responsibility and in the absence of a proper policy context.
- 3.6 It was noted that the merger of colleges may now result in a "section 75 debt" under the Pensions Act 2004 in relation to the College which ceases trading. This payment liability needs to be established as the final sum may run into millions of pounds and would impinge on the affordability of the new project.

Action: Judith Wilson should investigate the implications of the pension issue, which should have been taken into consideration during due diligence.

- 3.7 It was noted that Keighley College and Park Lane College are not in direct competition, and are geographically separate. The merged college will not be able to practically share any resource. There is a need for a college in Keighley, however the current facility is not fit for purpose and a new building is urgently required. This merger is part of a wider reorganisation of provision in the Leeds and Bradford area.
- 3.8 The merger will not go ahead until the end of the year, if the project is approved at the July meeting building work is due to start in September. The Secretary of State has already approved the merger. Park Lane College would withdraw if it does not receive a new Keighley College campus without financial liability. This has led to a catch-22 situation whereby the College will not merge until the Capital Committee approve the funding for the project, and the Committee cannot give approval until the merger has taken place.
Decision: The Committee agreed that it needed reassurance that the merger will go ahead, or failing that what the alternative options are. Are

there other merger options, or could a financial recovery plan be put in place. A strong representation from the Regional and Area Teams is needed to explain the LSC's preferred option to the Committee and to provide reassurance as to the possibility of a precedent being created in the absence of a national policy on "supported mergers" such as that proposed.

Item 4. Capital Applications for Approval by the Council

City of Westminster College

- 4.1 At just under £108 million this is the largest project seen by the Committee, the site is difficult and the current buildings are in increasing disrepair. Money has already been spent covering the façade of the main building in iron mesh to prevent further sections of concrete cladding falling.
- 4.2 Some parts of the project still need firming up, but the estimated costs appear acceptable. Recent value engineering had seen the total come down from £120 million to current figures. Other London projects have been used as benchmarks to establish realistic costs.
- 4.3 The decant will have to start in September, this project needs to move fast to get detailed approval before then. A vacant former school building opposite will be used, but the offer is time limited as the City of Westminster Council want to sell the site. Although it is the most suitable decant option, money will need to be spent to make it fit for purpose and rental prices will increase each year.
- 4.4 The college has spent four years looking for alternative suitable sites without success and refurbishment of the current building is not a viable alternative.
- 4.5 The college is increasing employer engagement and has already had a great deal of success. For example, EDF energy is trying to change the ethnic diversity of its workforce to make it more representative and have strong ties with the college and its students. The college is also seen as a critical supplier of students for St Mary's Hospital, and more recently close links have been made with Metronet.
- 4.6 The growth of provision looks robust and already further diversification is being planned. The train2gain programme is already strong, links with HE are being developed and the ophthalmology course is one of only a few in the country and proving very popular.
- 4.7 There is a strong design team in place and the college team is capable of handling the project; the main contractor needs to be chosen soon.
- 4.8 The Chair thanked the City of Westminster College team for their presentation and congratulated them on getting such a large project to this stage.
- 4.9 It was noted that the VAT costs should be spread over 10 years by applying the Lennartz principle. There is also a chance of negotiating a discounted rate. The rest of the costs look robust, and there is a possibility that the capital disposals could increase in value.

Decision: The Committee approved in principle the project at the 78.9% (£85.023 million) grant level support. This level may be reduced if the land sale generates a higher level of income.

Thanet College

- 4.10 Thanet is the most deprived area in the south east and of the seven colleges in Kent this is the most easterly and most isolated. The area has sea on three sides which significantly reduces the college's area of influence on students and employers.
- 4.11 The proposed new location is a 9 acre site off the main Thanet road accessible to Broadstairs, adjacent to the university campus and the business park. This new site is currently owned by Tesco but they are keen to sell it as it is now surplus to requirements. Two valuations have confirmed the proposed price offers good value for money. The current main site is in a prime residential area and would offer sea views; the sale could potentially generate more than the estimated £9.3million.
- 4.12 Although the location was previously part of a landfill area, initial work has shown the landfill was not directly under the site. Land surveys have shown little contamination and 2m layer of topsoil covering agricultural land. No piling would be required for the new building.
- 4.13 The NEET group, estimated at 11.3% in Thanet, will be targeted in order to obtain the proposed learner growth. The college is also looking to increase the non-LSC funded income streams and continue developing their strong links with employers, particularly Pfizer.
- 4.14 This project is still in the early stages and costs are still only indicative. The college needed to come to the Committee early in order to secure the land sale from Tesco. Costs are expected to rise as the project takes more shape. Major contractors are unlikely to be interested in this project due to the size and the remoteness of Thanet.
- 4.15 Tribal Consultancy will be used as project managers. The college's in house team has some capital experience having recently managed a £4million CoVE development.
- 4.16 The Committee agreed to recommend this £43.111million project on an in principle basis at a 75% grant support level. If costs increase significantly a revised approval in principle will be needed.

East Riding College

- 4.17 This college has four sites, two main sites and two satellites, as a result of a merger in 2002. This project looks at rebuilding the Bridlington site, and moving the Beverley campus which would be sold for residential development.
- 4.18 The most recent OfSTED report labelled the facilities as "just adequate", half of the accommodation is in temporary buildings, some of these were put up in the 1940s.
- 4.19 Disposal of the Carnaby site should raise £0.5million, whilst Gallows lane already has an agreement in place for £7million. East Riding of Yorkshire

Council is very supportive of the project and would be unlikely to issue any section 106 agreements.

4.20 FTE growth of 18% is expected by the end of the build. Growth has exceeded the targets this year and is expected to continue along this trend. There are 17 schools in the area which specialise in A-levels, by focussing on a vocational curriculum the college has a niche in the market.

4.21 There is confidence in the college and its ability to deliver this project.

Decision: The Committee approved this £33.437 million project at the 69% (£23.072 million) grant support level.

East Durham College

4.22 This is a straight forward application, the project received approval in principle at the October meeting and since then costs have increased by 9.25% (£2.8million). This is due to unforeseen items such as asbestos removal, increased sustainability, the addition of a sprinkler system and better sound insulation.

4.23 The risks have been minimised on this project and there is confidence it can be delivered. The growth will be challenging as it relies on targeting the NEET group which is currently estimated at 23% of the cohort.

4.24 It was noted that the paper states the borrowing required is £7million, this should read £7.765million.

Decision: The Committee agreed to recommend the £33.482 million project on a detailed basis at the 68.6% (£22.983 million) grant support level.

Walsall College of Arts and Technology

4.25 This college currently occupies two sites half a mile apart. The main site was largely built in the 1960s and 70s, with some facilities added more recently.

4.26 The costs have increased from the in principle application by £14.5million to £63.944 million largely this is due to building cost inflation, land acquisition, cleaning of industrial waste, the discovery of limestone caverns and the removal of Japanese knotweed. The increases could not have been foreseen.

4.27 Value engineering has seen the tender costs decrease without loss of quality from £70million to £64million, there is confidence that this is the final figure.

4.28 The predicted growth is achievable, and will provide enough income to service the loans. Walsall is a self-contained market and this college is a stable and secure provider. Additional work on train 2 gain could provide further income.

4.29 There was some debate on level of grant support, the regional office have stated that 58% is adequate however some members felt that 60% would be more appropriate.

Decision: The Committee agreed to recommend the project at the 58% (£37.087 million) grant support level.

Item 5. Capital Applications for Approval by the Capital Committee under Delegated Authority

South Trafford College

- 5.1 The Committee was asked to note that South Trafford College will be merging with North Trafford College in September. This project is being assessed at this in principle application stage as a South Trafford project, but at detailed stage it will be assessed as a merged college where they will ask for less support.
- 5.2 The two sites will still remain after the merger in which the South will absorb the North. Both sites will continue to offer different curriculum choices. Due diligence has already been carried out and there was no mention of the possible "section 75 debt" under the Pensions Act. The regional office should investigate this.
- 5.3 A joint accommodation strategy still needs to be written but it is already clear that this project will form the backbone of future strategies, even if some of the details need to be finalised. The merged college will not need to return with different requirements.
- 5.4 The project is already at an advanced stage and costs are well understood. It is likely that the merged college will need approximately 50% grant support level, not the 77% that South Trafford College would need on its own.

Decision: The Committee agreed the project on an in principle basis at the 50% (£11.2million) indicative grant support level.

Blackpool Sixth Form College

- 5.5 This application comprises phases 1 and 2 of a 4 phase project. When this project was last seen it was recommended that the possibility of other sites should be investigated. No suitable alternatives have been found.
- 5.6 Costs have increased by £2.5million due in part to needing a £1million substation as the existing mains supply has no spare capacity. Phases 3 and 4 are not a necessity, so by approving this project the Committee is not committing themselves to agreeing to the other phases without the chance to see them.
- 5.7 This project is ready to start work and there is confidence in the college to deliver. Although there is a modest negative NPV this is largely due to the having growth already taken place; the project still represents the best value for money.

Decision: The Committee approved the project at the 70% (£10.719 million) grant support level.

Wyke College

- 5.8 This is an in principle application for phases 1 and 2 of a two phase project, and a detailed application for phase 1.
- 5.9 The college is successful and serves a large area of west Hull and the surrounding villages. The conditions of the buildings vary but in general they are no longer fit for purpose. This project is in part new build and in part

refurbishment. This is a straight-forward project and the costs are reasonable.

- 5.10 The college had been doing poorly but a new Principal has improved the performance significantly.

Decision: The Committee approved the project at the 86% (£5.51 million) grant support level for phase 1, and the 86% (£14.918 million) level overall.

Bishop Burton College

- 5.11 This is a medium sized land based college, and the only agricultural CoVE. A property strategy was completed in 2005 which highlighted the poor condition of the estate and the lack of suitable teaching and learning space.

- 5.12 Costs have increased slightly from the in principle application.

- 5.13 There was concern that the proposed 100 new residential units would not be sufficient. The residential aspect of this college is essential due to the nature of the college, its attraction to many students from outside the region, and the need to provide round the clock care for livestock.

- 5.14 The college will make an operating loss, even with this new project. This is the norm for land based colleges and in this particular case the accommodation cannot be used for other purposes during holiday times due to the small number of units and the remote location of the college. This project will not make their current situation any better or any worse.

Decision: The Committee approved the project at the 50% of total costs (£12.594 million) grant support level.

Bradford College

- 5.15 This is a large general FE college with two main sites, one in the city centre the other a kilometre to the south. Half the accommodation dates back to the late 19th and early 20th centuries and is in need of modernisation.

- 5.16 This is a three phase project, and detailed planning consent has already been granted. The proposed cost is a guaranteed maximum price. This figure has increased by £2.1million since approval in principle due to building cost inflation and design improvements.

- 5.17 The inclusion of a sedum roof needs further consideration as the cost is likely to outweigh the benefit.

Decision: The Committee approved the project at the 10% (£1.934million) grant support level

Item 6. 16-19 School Projects

- 6.1 The Committee approved the following 4 projects:

- Newell Green High School, 100% (£3.45million)
- Ribston Hall High School, 100% (£1.33million)
- Slough and Eton School, 100% (£1.98million)
- Wellacre Technology College, 100% (£6.44million)

Item 7. Applications agreed under Chief Executive's and Regional Director's Delegated Authorities

7.1 The Committee was asked to note the following projects:

- Matthew Boulton College, 10% (£208,742)
- The Sixth Form College Solihull, 25% (£1.67million)
- Gateshead College, 34% (£1.87million)

Item 8. Any other business

8.1 The regional capital plans will be presented to the Committee on the evening of 16 July starting at 5pm. Plans are still being finalised, but it is likely that each region will be invited to spend ten minutes presenting the three or four key points from their plan. Dinner will follow the final presentation.

Item 9. Date of next meeting

9.1 The next meeting of the Committee will take place on 17 July in the Grosvenor Gardens office. The evening session on the 16 July will start at 5pm at the City Inn, Westminster.

Meeting chair	Norman Boyland
Minute taker	Pete Sanders
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