

Minutes



Leading learning and skills

Date	19 September 2008
Subject	Capital Committee
Location	Centre Point London
Time	10:30
LSC office	National Office
Publication intent	Internal

Present See Annex 1

Item 1. Welcome and introductions

- 1.1 The Chair welcomed the members to the meeting and noted the apologies. The following declaration of interest was made:
 - Norman Boyland for Northbrook and Worthing; Norman was the Chair of Governors at Northbrook College ten years ago.
- 1.2 John Taylor has stepped down from the Committee as his tenure as a National Council member has come to an end. Members joined the Chair to express their gratitude for his years of hard work for the Committee.
- 1.3 It was announced that Alan O'Neill would also be stepping down after seven years on the Committee. He was thanked for input into the meetings and members wished him well for the future.
- 1.4 National Council members Maggie Galliers and Malcolm Trobe were joining the Committee, Regional Council members Peter Ibbetson from Greater London and Edward Libbey from East of England will also be joining at the next meeting.

Item 2. Minutes of last meeting

- 2.1 Item 4.5 – The figures in the decision are incorrect and need amending.
- 2.2 Item 4.33 – Judith Wilson agreed to provide wording around the Committee's decision.

Learning and Skills Council

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Item 3. Matters arising

National Construction College

- 3.1 An update on the National Construction College was tabled. The college had failed to get planning consent on the land for disposal, building cost inflation across the project timescale is now forecast at 13.8% and it has been agreed that the project should deliver a BREEAM 'excellent' rating. Because of this and other factors in the paper, the committee noted that LSC contribution would increase and that the detailed application was likely to be considered in Spring 2009.

Isle of Wight College

- 3.2 The college has now received the review from the independent consultants and has agreed to take the proposals on board. The project is due to return to Regional Council in November and to the Committee in December.

Hertfordshire College

- 3.3 The Committee was reminded of the reasons behind the cost increases for the delivery of the colleges' projects, which have been discussed at previous meetings. The college is doing everything the LSC have asked of them and will be bringing a new proposal back to the Committee in due course.
- 3.4 The college had recruited new legal advisors to further investigate the possibility of taking action to recoup some of the additional costs.

Bradford

- 3.5 The National Council felt that this Committee has done everything it can, but shared the concern that the project proposal still lacks ambition. It had agreed the committee's recommendation but with the added proviso that it would agree any increase in the notional grant support rate rather than delegating it back to the committee.

Extending Eligibility

- 3.6 A draft of the proposed Capital Skills Prospectus was tabled and members were asked to consider it after the meeting and provide any comments they might have. It was noted that it included proposals for modest, regionally administered skills fund, the possibility of non-FE providers accessing project grant funds and an increased priority for specialisation in FE capital project proposals. State Aid rules prevent private providers having access to the fund without some form of competition. A final draft would be provided at the October meeting.

Future Funding

- 3.7 The Committee was told that this year is the first time since the LSC was formed a potential overspend against the current capital budget was forecast compared to the potential underspend usually forecast at the same point in previous years. This has been due to several issues, including the top-slicing of capital funds for other purposes (for example funding exceptional support) and the retrospective splitting and ring-fencing of the capital budget into ring-

fenced DIUS and DCSF portions, without warning, last November ie retrospectively in-year. Previously the LSC had had a single line capital budget and was able to offset FE capital spend against the 16-19 Capital Fund. The DIUS FE capital budget will increase by a third next year to over £600million and other sources of funds were being sought to offset the overspend in the current year and to extend the availability of funds in future years. These included the now defunct capitalised exceptional support budget, carry forward from previous years promised by DIUS, recharges for new 16-19 places in FE colleges to the 16-19 Capital Fund and underspends elsewhere in LSC (revenue funds can be transferred towards capital costs with DIUS or DCSF agreement but not vice versa).

- 3.8 The Committee would have to look at how projects are funded in the medium to longer term as the first regional capital strategy returns indicate a significant increase in forecast projects and a peaking of requirements around 2010-11 possibly influenced by the Machinery of Government outcomes.. Further work was likely to be required reconciling these estimates with previous years forecasts before the strategies could be finalised. Other measures such as paying grant over 5 years rather than three for larger projects was also being considered.
- 3.9 Prioritisation and re-sequencing of projects will need to happen in the regions, along with better scrutiny of project benefits relative to the scale of proposals in the early stages and a clearer understanding of the benefits of the projects. A gateway review could be established where a standing committee scrutinises projects before they come to this Committee at the AiP stage.
- 3.10 It was noted that it is difficult for the LSC to hold a contingency in the Capital budget as funds that are not earmarked for spending cannot usually be carried over from one financial year into another.
- 3.11 Building cost inflation, sustainability requirements, catering for the introduction of the new diplomas and higher lending rates have all increased the costs to colleges; therefore the LSC is achieving less with the money available. Despite this the LSC is maintaining firm control over projects and only once in the current year has a college needed to return for additional funding after work has started on site.

Bury Metropolitan Borough Council for Ramsbottom Library Learning Centre

- 3.12 The committee was advised in an error in an adult supported learning (ASL) capital project proposal where costs had been reported on a net rather than a gross cost basis. The new revised project cost is now £399,416 and the LSC grant of £359,475 (90%). The project cost had been previously reported as £269,026 with grant support of £242,123 (90%).

Decision: The Committee delegated authority to the Chief Executive to determine the application for additional funds.

Item 4. Cost Criteria Update

- 4.1 The Committee was reminded that the criteria are reviewed every 6 months to reflect any changes in costs. This review had identified any change in building cost inflation, but external quantity surveyors advisers have reported that a reduction in the figure is expected at the next review.
- 4.2 The requirement for a BREEAM excellent rating for FE projects rather than very good has required an increase to reflect the higher standard. This is now LSC policy and all AiP projects will usually require an excellent rating from now on, but it may take some time for the change to be seen in the detailed approvals.
- 4.3 The broad range of costs in the mechanical and electrical installations has caused some concerns and the figures will be reviewed with contractors.

Decision: The Committee approved the revised costs.

Item 5. Capital Applications for Approval by the Council

Northbrook College and Worthing College

- 5.1 The area team gave the Committee some context to these two separate projects which are located very close to each other. The projects are part of a coordinated approach for developing the West Sussex coastal strip, which was a key outcome of the 2005 West Sussex Strategic Area Review.
- 5.2 The Area/Partnership team is satisfied with the coordinated curriculum and level of financial management at both colleges and has no material concerns over the colleges' applications.
- 5.3 There are no current plans to merge the colleges. The project proposals leave the possibility of a future merger open should the political climate change.
- 5.4 The colleges have worked together to agree a consistent methodology for calculating student growth and cohort size forecasts to ensuring there is no double counting. For example, the growth at Northbrook College is projected to be only 155 additional learners to 2015.
- 5.5 The committee noted that the colleges' have adopted a common approach to the curriculum, student pathways and information advice and guidance. This will enable students in both colleges to progress through either college without hindrance. Some programmes utilise provision at both colleges, and students will be spending time on both campuses.
- 5.6 Outline residential planning permission has been granted at Northbrook's Worthing site which is being sold. The site will be marketed in late 2010 when there is more chance of achieving a reasonable sale price. The Committee suggested that Northbrook College could try marketing the land now as the land is a key site in Worthing, and to put an overage clause in any sale contract. The College confirmed that it would need to return to the Committee for additional funding if the disposal and overage did not meet the valuation. Worthing College was advised to use the same approach.
- 5.7 Efficiency savings in both colleges will be achieved by moving away from large, expensive and inefficient buildings into more economical

accommodation. The Committee noted the efficiency savings appeared optimistic.

- 5.8 The two projects are independent and one will not be impacted if the other does not go ahead and both projects were considered separately at the Regional Council. The learner experience would be marginally affected if only one of the proposals did not proceed.
- 5.9 The Committee noted that both projects are worthy and go some way to addressing historic problems in the area and a culture of underachieving and low participation. The NPV of the alternative option for Northbrook is very close to the preferred option.
- 5.10 Both colleges will need to provide further detail on project management arrangements at the next stage.
- Decision:** The Committee agreed to endorse the £69.173million Northbrook College project on an in principle basis for approval by the National Council at the indicative 66% (£46.654million) grant support level.
- Decision:** The Committee agreed to endorse the £41.247million Worthing College project on an in principle basis for approval by the National Council at the indicative 79% (£32.585million) grant support level.
- 5.11 It was noted that if the disposal valuations are not achieved measures will need to be instigated to cover the short fall.

West Suffolk College

- 5.12 The members were informed that this is a beacon college with main campuses in Bury St Edmunds and additional learning centres which serve the surrounding rural community. It is the only college to have received the Training Quality Standard in 7 vocational areas. The college does not offer A-level provision.
- 5.13 Planning constraints have limited the proposed building to three storeys, and vocational provision requires more space than A-level provision, and therefore costs more. The current plans allow to a BREEAM rating of very good, it will cost an additional £600,000 to achieve the excellent rating.
- 5.14 The college had delivered three previous projects on time and to budget.
- 5.15 There will be little disruption to learners during the build as each part of the build is in discrete units, allowing areas to be cordoned off in turn. Staff and students have been approached early to identify as many risks as possible as early as possible, and work is being done to mitigate these now.
- 5.16 The college is confident that the learner growth is achievable. The growth rate over the last 7 years has been higher than this, and the college has been over-subscribed for the last 3 years. The area is one of the lowest in the region for participation. The Committee noted that the income projections were very conservative and only increase 4% in line with the student growth; this reflects the uncertainty over future funding.
- 5.17 The Committee commented that this is a very promising project proposal at an excellent college, and looked forward to seeing it again for detailed approval early in the New Year.

Decision: The Committee agreed to endorse the £68.547million project on an in principle basis for approval by the National Council at an indicative 74% (£51.000million) grant support level.

Uxbridge College

- 5.18 Officers reassured the Committee that this project will not demolish any of the recently built accommodation. This college has the highest success rates of any college in London using LSC statistics, and it received an “Outstanding” rating in its most recent OfSTED inspection. There is a comparatively small NEET group of around 5.6%, in the borough as a whole, and 400 NEETs in Hillingdon itself.
- 5.19 Currently 82% of the college’s income is from LSC funding. This has been identified as a risk, but it is not yet clear how this will be mitigated. Most learner growth will be in off-site provision through Train to Gain.
- 5.20 It appears that this project will seek to maintain the status quo, rather than to meet future LSC targets. It was acknowledged, however, that without this project there would be a significant loss of learners, it was also noted that the LSC cannot afford to fund the growth the college wanted to achieve.
- 5.21 The Committee felt that the college needed to do much more work with the employers around Heathrow. There are many potential learners in that area that could be targeted. The question was raised that if these learners were engaged, would the college be big enough to accommodate them all? The college confirmed that there is spare capacity of 200FTEs in the plans, which equates to approximately 300-400 enrolments.
- 5.22 This project should stand up well on the social cost benefit analysis that will be introduced, but in terms of costs and learner growth it does not look good.
- 5.23 There have been several section 106 requests which will be sorted before the next stage. The LSC at area/partnership team level has great confidence in the finance team.
- 5.24 The Committee requested that the college demonstrates better value for money on this project in the detailed application but considered that this will require a great deal of work. The college should also be encouraged to diversify its income streams and try to decrease its reliance on LSC funding.

Decision: The Committee agreed to endorse the £66.954million project on an in principle basis for approval by the National Council at the indicative 61% (£40.842million) grant support level.

New College Stamford

- 5.25 The Committee was informed that very strict planning constraints have resulted in the unique and unusual design of the proposed new build. One of the requirements was that the college must be as invisible as possible. The college will have no windows, instead rooms will face onto a central atrium and the roof is grassed.
- 5.26 The learner numbers in the papers have been skewed by a local provider having recently stopped A-level provision with many students transferring to the college. Learner growth will increase this year but is flat after that.

Participation in the area is high and the NEET group is relatively low. Additional future growth above the levels predicted would need an additional build as there is very little spare capacity. Off site provision is being grown via the Train to Gain and Apprenticeships programmes.

- 5.27 The costs are robust as possible at this stage, and there are many reassurances that the costs are a realistic reflection of the final costs. The Committee noted that there appears to be almost no efficiency savings reflected in the financial data.
- 5.28 The current internal project management team will not be able to cope with a project of this size, however external consultants 'Fusion' will be brought in to add to the team.

Decision: The Committee agreed to endorse the £41.656million project on an in principle basis for approval by the National Council at the indicative 80% (£33.317million) grant support level, with the following conditions:

- costs must not increase significantly.
- the Regional LSC must look closely at the potential learner numbers, not just the numbers that the LSC is prepared to fund. This will determine whether the proposed building will be large enough.

Wiltshire College

- 5.29 This college is the result of three colleges merging in 2000, with a fourth college merging at the start of this year. There is a history of capital projects being delivered on time and to budget; the project management team is excellent. This is one of four projects that the college will be developing over a short time period.
- 5.30 The development costs are not included in the financial plan as it is technically not part of this application, instead being part of the Trowbridge project. These costs are for the development of the plans up to AiP stage and for site acquisition, and will total around £600,000. A high grant support level has been assumed.
- 5.31 The financial forecasts look at the whole college but assume that this is the only project to get approval. The Committee noted that the college will need funding up front if the four projects are to overlap.
- 5.32 The finances are affected by the recent merger and high depreciation costs make the forecast look worse than the reality will be, however there will be a low operating surplus and there are few efficiency savings.

Decision: The Committee agreed to endorse the £35.2 million project on an in principle basis for approval by the National Council at the indicative 60% (£21.120million) grant support level.

Reeseheath College

- 5.33 This proposal presents a revision of the original phase 3 and a new phase 4 and aims to provide a 40% increase in space and a 10% increase in guided learning hours. This is an excellent college and success rates are high.
- 5.34 Members were reminded that the college still utilises a lot of temporary accommodation. Phases 1 and 2 have already reduced this amount, and

these phases will address the remainder. The farming land is for teaching only, it is not a profit-making commercial farm and nor can it become one.

- 5.35 The Committee requested that the depreciation values should be recalculated as they appeared to be incorrect.
- 5.36 The projected growth is very healthy and achievable. This specialist college attracts learners from a wide area due to the nature of the provision and the quality of the teaching.

Decision: The Committee agreed to endorse the £34.249million project on an in principle basis for approval by the National Council at the indicative 82% (£28.085million) grant support level.

South Leicestershire College

- 5.37 The Committee was reminded that this detailed project proposal was seen at AiP in April 2007. Since then costs have increased but this has been mitigated as far as possible.
- 5.38 The management team has changed and there is a new Principal with experience of delivering a capital project.
- 5.39 It was noted that the AiP had an option for the contractor to purchase the disposal site for £7.5million. This option is unlikely to be taken; the college will remarket the land at £5.0million to reflect the current market value. The shortfall will be covered by the college through additional borrowing and increasing cost efficiencies.

Decision: The Committee agreed to endorse the £44.457million detailed project proposal for approval by the National Council at the 83% (£36.900million) grant support level.

Item 6. Capital Applications for Approval by the Capital Committee

Selby College

- 6.1 The Committee was told that this project is exactly the same as at AiP and the cost is the absolute minimum project cost.
- 6.2 It was noted that another college in Goole will be coming forward for approval soon which may impact learner numbers; however the growth in this college has been substantial already and the college itself is a real success story.

Decision: The Committee approved the £27.230million detailed project at the 91% (£24.779million) grant support level.

Truro and Penwith College

- 6.3 Members were reminded that the Secretary of State has pre-approved a grant support of 50% as part of the merger package. This is an excellent college and year-on-year learner growth is considerable.
- 6.4 The Committee noted paragraph 49 in the report, which states that the zero-rated VAT assumption is at the college's risk.
- 6.5 This will be a fantastic project at a brilliant college, and the Committee is confident that the learner growth can be achieved.

Decision: The Committee approved the £25.075million detailed project at the 50% (£12.538million) grant support level.

Easton College

- 6.6 There has already been significant learner growth at the college and this is predicted to continue. The project addresses both the past and future learner numbers. This has been the strongest growing college in the area for several years.
- 6.7 Student accommodation is required not only due to the wide catchment area, but for the need to have 24 hour animal care. Students pay for the accommodation themselves however some LEAs will pay on behalf of the student, costs are subsidised by around 20%.
- 6.8 The LTA are contributing to the costs of the sports facilities as well as providing an interest free loan. The astro pitch has LEA funding; the college has maximised the contributions from other sources.

Decision: The Committee approved the £4.371million detailed project at the 47% (£2.058million) grant support level. The also Committee approved the £20.652million project on an in principle basis at the indicative 68% (£14.015million) grant support level.

Hartlepool Sixth Form College

- 6.9 There are chronic space issues on the current campus and there is additional growth anticipated of approximately 90 learners above the levels predicted at AiP.
- 6.10 The external works have exceeded the benchmarked costs; however savings have been made elsewhere to mitigate this.

Decision: The Committee approved the £23.304million detailed project at the 89% (£20.753million) grant support level.

Waltham Forest Borough Council - Skills Academy for Construction

- 6.11 This is the first of many “Olympic Legacy” projects that will be seen by this Committee over the coming years.
- 6.12 The site is owned by Crossrail who have agreed that it can be used for heavy construction training for around 10 years. There will be a clawback if the site use changes within that time.
- 6.13 Costs are speculative at the moment but more detail will be known at the next stage.

Decision: The Committee approved the £7.252million project on an in principle basis at the indicative 82% (£5.910million) grant support level.

Item 7. Applications Agreed under Chief Executive’s and Regional Director’s Delegated Authorities.

- 7.1 The Committee noted the paper.

Item 8. Any other business

8.1 Lawrence Leader was introduced to the Committee. He informed members that the Capital Skills Prospectus will be announced by John Denham in October. Copies of the draft prospectus were circulated to members; the proposals will be brought to the Committee for approval.

Item 9. Date of next meeting

9.1 The next meeting of the Committee will take place on 22 October.

Meeting chair	Norman Boyland
Minute taker	Pete Sanders
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Capital Committee – 19 September 2008 - Attendees

Members Attending

Norman Boyland
John Bull
Mike Collier
Alan O'Neill
Lynne Morris

Apologies for Absence

Richard Haynes
George Sweeney
Ashley Winter
Paul Jagger

Item 4 – Capital Applications for Approval by the Council

1 Northbrook College

College

- David Percival - Principal
- Karimah Butcher - Vice Principal
- Jon Rollings - Director of Finance

LSC

- David Smith – Area Director
- Chris Birt – Regional Finance
- Isabelle Wragg – Regional Property Advisor
- Mel Butcher – Partnership Manager

2 Worthing College

- Peter Corrigan - Principal
- Paul Riley - Vice Principal
- Lesley May - Director of Estates & Finance

LSC

- David Smith – Area Director
- Chris Birt – Regional Finance

- Isabelle Wragg – Regional Property Advisor
- Mel Butcher – Partnership Manager

3 West Suffolk College

College

- Dr Ann Williams – Principal
- David Howells – Finance Director

LSC

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

4 Uxbridge

LSC

- Clare Arnold – Area Director
- Shree Mandke – Partnership Director
- Pravin Parmar – Senior Property Advisor

5 New College, Stamford

LSC

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

6 Wiltshire College

LSC

- Mark Harvey – Regional Property Advisor

Item 5 – Capital Applications for Approval by the Capital Committee

1 Reasheath College

LSC

- John Warham – Partnership Manager
- David Johnson – Regional Property Advisor

2 Selby College

LSC

- Richard Hoyle – Regional Finance

3 Truro College

LSC

- Mark Harvey - Regional Property Advisor

4 Easton College

LSC

- Keith Felgate – Regional Property Advisor
- Alan Searle – Regional Finance
- Paul McGuire – Regional Finance Director
- Graham Brough – Area Director – Norfolk

5 South Leicester College

LSC

- Dianne Brown - Regional Property Advisor
- Andrew Neill - Regional Finance

6 Hartlepool College

LSC

- David Johnson - Regional Property Advisor

7 Skills Academy for Construction

LSC

- Catherine Davies Regional Property Advisor
- Clare Arnold – Area Director – London West
- Sarah Carrick – Partnership Director
- Simon Tolaini –Regional Finance
- Basheer Dilmahomed – Regional Finance

Other LSC Staff

- Philip Head
- Denis Miles
- Alastair Grindlay
- Judith Wilson
- David Russell
- Pete Sanders
- Louise McDonagh (Observer)