

Minutes



Leading learning and skills

Date	22 October 2008
Subject	Capital Committee
Location	Centre Point London
Time	10:15
LSC office	National Office
Publication intent	Internal

Present See Annex A

Item 1. Welcome and introductions

- 1.1 The Chair welcomed the members to the meeting and the apologies were noted. Malcolm Trobe, Edward Libbey and Maggie Galliers were introduced and are now permanent members.
- 1.2 The following declarations of interest were made:
 - Ashley Winters declared an interest in the North East projects.
 - Edward Libbey declared an interest in the East of England projects.
 - Norman Boyland declared an interest in the South East projects and Charters School.
 - Maggie Galliers declared an interest in Regent College, which is very close to Leicester College where she is the Principal.
 - Paul Jagger declared an interest in the Bradford Colleges as Senior Pro-Chancellor of Bradford University, which shares a campus with the sixth form college.

Item 2. Minutes of last meeting

- 2.1 The minutes were approved without amendment.

Item 3. Matters arising

Hertfordshire Regional College

- 3.1 Phillip Head summarised the history of this project for the benefit of the new members. The revised Phase 2 proposal is at an advanced stage but is not yet ready to be presented to the Committee; it is likely to come forward early in the New Year.

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- 3.2 The possibility of legal action is still being investigated however the college still believes it is unlikely that this will be successful.

Bradford

- 3.3 The Committee was asked to consider the paper reporting revised learner numbers and their implications. Learner numbers have increased since the project was last seen, but not as far as the Committee was expecting although it noted that the Regional LSC was satisfied with the learner projections. The college wanted a spacious building which would allow further growth above what is projected.
- 3.4 It was confirmed that Yorkshire Forward (the RDA) had confirmed that its funding is already committed elsewhere, some of which will benefit the college indirectly.
- 3.5 This is a three phase single contract project which will take three years to build. In these difficult economic times it may be prudent to split the contracts to enable flexibility. The Capital Committee recognised that this would increase costs, but believe it is the best way of ensuring that the building is fit for purpose on completion and that the college should give it further consideration.
- 3.6 The National Council had expressed its own concern around the lack of ambition in this project. Members agreed that learner numbers will need further consideration in the detailed application.
- 3.7 The Committee thanked the college for its response. It was agreed that the college and the local and regional LSC colleagues needed to engage with the board of Governors to ensure that the project is the right size and able to contribute to LSC targets. The college must also seriously consider splitting the project into at least two independent phases.
- 3.8 The Committee noted that it was likely to see the detailed application in autumn 2009.

Decision: The Committee agreed to endorse the £128.062million project on an in principle basis for approval by the National Council at the indicative 76% (£97.327million) grant support level on the basis indicated above.

Extending Eligibility

- 3.9 The Committee were reminded of the Skills Prospectus, which was presented to the Committee recently. The Prospectus is currently with Ministers awaiting approval and is likely to be released within a fortnight.

Item 4. Projects for Approval by the National Council

Peterborough Regional College

- 4.1 The Committee was given a brief introduction to the college in a presentation by the college's Principal: the campus is largely in 1950's accommodation which has been supplemented with portacabins. The college's financial contribution is modest but there is no RDA funding as it is not seen as a priority area. The college estimates saving £2.8million by building the development in one phase.

- 4.2 The college is the major provider in the area and has excellent transport links to the campus. It has recently moved away from A-level provision to concentrate on vocational qualifications. Success rates have increased from 73% to 78% in the last year.
- 4.3 The college will aim to deliver 18.5% more learners with an 18% increase in space efficiency. This will form part of an education quarter alongside Thomas Dean Academy, a new HE centre and a sports centre.
- 4.4 Local residents are supportive of the project, as are other interested parties including Sport England. There have been some planning constraints imposed due to the neighbouring conservation area.
- 4.5 The management team is robust and the team have monthly meetings with the Board of Governors who themselves have members with capital project experience.
- 4.6 Some costs are outside the cost model figures due to exceptional circumstances, such as the 22,000m² of demolition works which will be required. The cost model only accounts for 3,000m². Other costs are associated with the access and service roads, the additional planning requirements, and the Sport England requirements.
- 4.7 The plans are now up to stage D design, it has taken two years to get to this stage but so far there have been few problems. During the build the contractors will build a separate access road to enable better plot access, and the college have been advised to build in one phase to reduce costs.
- 4.8 The college is confident of maintaining learner numbers during the build. The demographics are favourable in the area and provisions will be in place to ensure that the learner experience does not suffer unnecessarily during the build.
- 4.9 The land value for the disposal site is realistic, and the land cannot be released until 2013. An overage clause will be included in any sale contract and the college is happy to agree a clawback clause with the LSC if necessary.
- 4.10 The 636 space car park is a requirement imposed by the city council and will involve considerable space; due to the planning constraints of the conservation area they are unable to construct a multi-level car park.
- 4.11 The build is scheduled to take two and a half years, with an additional 9 months of external works. At 28,000m² this is one of the largest colleges in the region. A review has already taken place and the build time has reduced from 155 weeks.

Decision: The Committee agreed to endorse the £96.51million project on an in principle basis for approval by the National Council at the indicative 85% (£82.033million) grant support level.

Sandwell College

- 4.12 The Capital Committee was reminded that an application for approval in principle was not determined in 2003. The college has continued to suffer financial problems however this project may help significantly improve their financial position.

- 4.13 The management team have been in place for several years, and the OfSTED reports have not been good particularly in management and finance although this was not regarded as the fault necessarily of the existing team as the college has restructured its entire management team since the current Principal was appointed. The financial projections assume a high level of exceptional funding support as part of the financial recovery plan. The savings predicted in the new building are ambitious.
- 4.14 The area is above the national average on many social deprivation factors. The last Strategic Area Review identified no areas of affluence in Sandwell.
- 4.15 The current estate is very poor and many classrooms have no natural light.
- 4.16 The college had already received the promise of £3.5million from the RDA and expect to hear the outcome of another £6million bid before Christmas. The local authority has also contributed £0.5million. The college had already bought the land, and sold one site to the RDA. Negotiations are ongoing over the second plot. The land is being sold upfront but the college will continue to occupy the land without lease payments for the duration of the build.
- 4.17 The Capital Committee noted that the learner growth projections appear to be very large however the new site has much better transport links, making it easier to get to and more attractive to learners. The college will run it's own bus service and the new location benefits from the metro tram link. The college is confident that the growth is achievable having already increased learner numbers from approximately 950 in 2003/04 to approximately 1550 in 2007/08.
- 4.18 The area has the largest NEET group and the lowest participation rate in the region. Until recently there was no train to gain contract in place and employer engagement will be significantly improved in future. There is a great deal of opportunity for attracting learners.
- 4.19 The borough council initially insisted on a section 106 contribution of around £3million, this has been reduced to a little over £1million.
- 4.20 Part of the Financial Recovery Plan involved moving the college onto one site and to move away from their current expensive and inefficient accommodation. The exceptional support payments will continue, but plans have been developed following the notice to improve with the aim to reduce these payments. Without this project it seems unlikely that the college will be able to get out of their financial difficulties. A new Finance Director is being recruited at the moment and the college is now satisfied that there are proper financial controls. KPMG have assisted on the financial figures and learner growth projections and can offer independent assurance that the figures are reasonable.
- 4.21 The Committee questioned the exceptional costs. A thicker slab than normal will be required due to the risk of flooding on the site. Additionally the decontamination of the acquisition site will cost £3.1million; this is due to a change in legislation after the site was purchased.

Decision: The Committee agreed to endorse the £80.755million project on an in principle basis for approval by the National Council at the indicative 73.6% (£59.435million) grant support level, with the following conditions:

- a. The college's advisors, KPMG should carry out a full review of the college's financial projections;
- b. the college should strengthen its financial management by the appointment of a full time Finance Director;
- c. the additional grant application to Advantage West Midlands should be determined as this will impact on the grant support level and
- d. the college should review its project management arrangements.

4.22 The Committee noted that the grant support rate is likely to decrease by 8% if the £6million RDA bid is successful.

Tresham College

4.23 It was recommended that the project be split into two phases given that two contractors will be used and the difficulties that will be associated with trying to build on three sites simultaneously. The college confirmed they would investigate the possibility and if the issues around curriculum delivery could be resolved the project would come back in two phases at the detailed stage.

4.24 The college already own the land needed for the Kettering extension, the land disposal at the Corby site has already had the price agreed and reaffirmed by English Partnership and the down payment has been received. The Wellingborough site will need site acquisition and disposal, the borough council have expressed an interest in purchasing the site and leasing the college's two sites for this development, negotiations are still ongoing.

4.25 The Committee questioned the learner growth and the associated income as the two did not seem to correspond. The college felt the learner growth was realistic given the changes to the demographics, funding arrangements and the changing curriculum. The Committee requested that non-LSC funded provision should be maximised.

Decision: The Committee agreed to endorse the £54.805million project on an in principle basis for approval by the National Council at the indicative 78% (£42.748million) grant support level. The Committee expects to see this as two phases at the detailed application.

Telford College of Art and Technology

4.26 The Capital Committee noted that there is a fire-station that currently occupies the frontage site to part of the college. The land it is on has been offered to the college free of charge if the college replaces the facility at a cost of £1.2million. The college would be responsible for the maintenance of the fire station, however this can be charged back via the leasing agreement.

4.27 There is a close working relationship between the college and the fire-station which also provides training facilities. It is not likely that the relationship will

change as a result of this project. There are no additional security issues caused by having a fire-station on site.

4.28 There is an option for the nearby new college sixth form to relocate onto the site in future should they wish to.

4.29 This project cannot realistically be split into additional phases.

Decision: The Committee agreed to endorse the £57.059million project on an in principle basis for approval by the National Council at the indicative 83.8% (£47.815million) grant support level

Newcastle Sixth Form College

4.30 The Chair informed members that he had received a letter from the Chair of the North East Regional Council regarding this project. After considerable discussion the Regional Council endorsed the project but expect the following matters to be fully addressed before considering the detailed application:

- it is expected that the college's significant growth will impact on other 14-19 providers in Newcastle. The Council needs to be satisfied that the Local Authority and the wider 14-19 partnership are fully supportive of these proposals.
- there is a need to understand the impact the project will have on the viability and excellence of 16-19 provision across the whole region if more students are attracted to one institution. The project is expected to have a substantial impact on other provision in Tyne and Wear and also on rural provision. The LSC will need to take a regional view on matters such as the size of buildings, how these buildings are to be used and sustainability issues.
- the LSC itself needs to consider the policy issues associated with investment in success in terms of the implications and impact on other institutions where recent investment has been made, is currently being made, or where there are plans to make such investment.

4.31 The Committee was also asked to consider the cost of the sports centre, the impact on other providers in the region and the college's sources of income and the extent to which some categories of income should be factored into the affordability assessment. The college itself offers both A-level and International Baccalaureate provision, and the Regional LSC is supportive of its growth and their ability to tackle the NEET group. The sixth form centre, while on the same campus is managed separately from the rest of the college and since 2002 has had its own building. There is no shared provision between the two entities.

4.32 The LSC National Finance Director, Richard Healey, had previously assessed which income elements should be included and excluded from the financial forecasts and affordability assessments because some categories of income were deemed to be "postboxed" by the college (for example DWP contracts) others had been inherited in the Carter and Carter takeover and therefore some were not central to the college's main business.

- 4.33 It was noted that the predicted learner growth is extremely large with 16-19 learners growing by 653 over 5 years, and the total guided learning hours increasing from 956,774 to 1,274,000 over the same period. The issue of diseconomies of scale was raised, but the college firmly believed that the overhaul of its systems and governance that took place recently have ensured processes are fit for purpose and with their current model they can deliver this project with ease. The college felt the learner growth would be easily achievable through a number of approaches and the impact to other providers would be minimal.
- 4.34 The Capital Committee was concerned about the cost of the underground sports hall. At approximately £10million it is significantly more expensive than other sports facilities; it was not intended be large enough to cater for other than learners attending the sixth form centre but it would meet the needs of those 16-19 learners on sports based courses. The college confirmed that other options were investigated and that this is the most cost effective solution.
- 4.35 Given the current high level of demand for capital funds members were concerned about endorsing costly sports facilities especially as there was no proposal for the use of the centre by other learner groups.
- 4.36 The colleges representatives confirmed that there is a circa £200million project currently in development for the rest of the college which will be coming forward in future. It was confirmed that separate sports facilities would form part of that proposal.
- 4.37 The Committee questioned the use of the “Bubbledeck” flooring design, given the problems experienced by another college. Newcastle College has previously used the flooring system in another part of their campus and had no problems getting building regulation approval and felt there was therefore no need to change the material.
- Decision:** The Capital Committee deferred making a recommendation to endorse the £42.05 million in principle proposal from Newcastle College with 78% grant support for a new sixth form centre on its main Rye Hill campus in central Newcastle. In deferring the proposal the Capital Committee was mindful of advice it had received from the North East Regional Council stating that clarification needed to be sought on the impact of the college’s significant growth plans on other 14-19 provision in Newcastle with confirmation that the local authority and wider 14-19 partnership are fully supportive. The Capital Committee was also concerned that the proposal included a basement sports facility exclusively for the centre which had added £10 million to the costs.
- 4.38 The Capital Committee agreed that the college should work with the LSC Partnership team, the local authority and other 14-19 partners and stakeholders to ensure that the proposal had full support locally and regionally. In addition it was asked to further consider less expensive alternatives for the sports provision and to bring forward any proposals in the context of a strategy for providing sports facilities both for curriculum and pastoral purposes for the Rye Hill campus and the college’s other Newcastle locations.

West Kent College

- 4.39 Since the Committee last saw this project in January 2007 the costs had increased by 45% to £83.739million. The college had mitigated this as far as possible and have therefore decided to refurbish the Langton Building rather than rebuild it. The regional LSC felt that this decision needs further investigation and the approach may change post-approval at an additional cost of £2.5million which will require the Regional Director's approval.
- 4.40 The proposed merger with South Kent College is still in the early stages and very much dependent on how mergers will be taken forward by DIUS. The Committee was informed that the scheme was devised before the merger plans and had concerns that the project may not be suitable post-merger. The LSC confirmed that the two colleges are 35 miles apart and there is little scope for sharing facilities.
- 4.41 Normally this scale of cost increases would require a revised agreement in principle application however in this case the Regional Capital Committee felt that after such extensive investigation into the cost inflation it was not necessary to delay the project further at additional expense.

Decision: The Committee endorsed the £85.738million detailed project proposal for approval by the National Council at the 85% (£72.878million) grant support level with the following conditions:

- The college must undertake a review of land available to contribute to capital projects
- A suitable Project Director must be appointed to strengthen the internal project management team, and
- A feasibility study must be conducted into the retention of the Langton Building.

Bolton Community College and Bolton Sixth Form College

- 4.42 The Committee last saw these projects in December 2007. The projects are largely unchanged since then and are very close to the agreed in principle costs. Bolton Community College has had to purchase additional land due to planning requirements.
- 4.43 Costs are currently 95% certain and work will be ready to start on site after the November National Council meeting.
- 4.44 It was noted that the learner growth and income projections for the sixth form do not correspond. There is an increase in guided learning hours of 20% but an increase in income of 55%. There was also an error in the loans figures, the 2008 figure should be a little over £4million and not zero.

Action: Denis Miles to report back to the Committee with the updated financial forecast.

- 4.45 It was noted that there may be a cash flow issue with Bolton Community College's payment profile. The college estimated that it would cost up to an additional £1.6 million to postpone payments until April 2009 and then have a three year funding profile but it was noted that this could be necessary given the demands on the LSC's capital funds in 2008-09

4.46 The Committee agreed to endorse Bolton Community College's £66.74million detailed project proposal for approval by the National Council at the 81% (£54.059million) grant support level if funds were available in 2008-09.

Decision: The Committee agreed to endorse Bolton Sixth Form College's £22.573 million detailed project proposal for approval by the National Council at the 80% grant support level. The grant rate would be clarified before the November National Council meeting after the income projections have been re-checked.

Liverpool Community College

4.47 It was noted that this project completes the redevelopment of the campus. There is very little growth in this phase of the project as the majority of the growth was delivered in phases 5a and 5b. This will provide a learning resources centre and a sports facility.

4.48 The land purchase cost £4million per acre, this was a realistic figure.

Decision: The Committee agreed to endorse the £34.904million detailed project proposal for approval by the National Council at the 49% (£16.904million) grant support level.

Solihull College

4.49 The Committee was informed that the project costs had increased by 20% since agreement in principle in February this year but was satisfied with the reasons for this. The issue of decommissioning Tudor Grange House and stables and finding alternative uses following the decant remains but proposals have progressed significantly. It is extremely unlikely that any of the proposed future uses will be able to generate significant profit.

4.50 The income projections have increased since the Committee last saw the project however the college will be losing several sources of income including ESF funding and a NEET project fund.

Decision: The Committee agreed to endorse the £31.530million detailed project proposal for approval by the National Council at the 63% (£19.864million) grant support level.

Item 5. Projects for Approval by the Capital Committee

Bishop Auckland College

5.1 The Committee was told that this was a general FE college serving around 300 square miles, and approximately 35% of the population of County Durham. This second phase will address the remaining substandard accommodation on the Woodhouse Lane site.

5.2 The internal management team has been strengthened.

Decision: The Committee approved the £7.976million detailed application at the 69% grant support level.

Coulsdon College

5.3 This revised agreement in principle application is a result of a significant increase in size and therefore price. The cost increases have been mitigated

as far as possible and cannot realistically be reduced further. The costs are now 95% certain.

- 5.4 There is a dire need to replace the current accommodation, all of which has been listed as unsatisfactory, but there is also a strong educational case. This is soon to be the only sixth form in the area. The growth is achievable and the size is appropriate.
- 5.5 The cost norms are well above the original AiP levels and are 4% over the current cost model due to exceptional costs which include additional demolition, decant issues, planning issues and the need to divert some services.
- 5.6 The college submitted a planning application in June 2007 to change the use of the playing fields to residential development. The initial application has been refused and the planning authority has made it clear that the proposals would not be supported. Nevertheless, the Capital Committee confirmed that the college must endeavour to obtain residential planning permission for the surplus site

Decision: The Committee approved the £29.630million project on an in principle basis at the indicative 98% (£29.037million) grant support level.

Regent College

- 5.7 This project aims to refurbish much of the current accommodation and build an extension to replace the temporary accommodation which is no longer suitable after a period of sustained growth over the last 6 years.
- 5.8 The college will lose £40,000 a year after this project as it will no longer be able to lease out part of its land for sporting events.
- 5.9 The project is classified as an extension and is therefore not VAT exempt.
- 5.10 The college should be offered project sponsorship assistance through the framework to assist the internal project management team.
- 5.11 The financial forecasts need to be reviewed, particularly regarding the cash days in hand, which are well above what would be considered normal.

Decision: The Committee approved the £14.077million project on an in principle basis but could not confirm the grant support level until the financial forecasts were recalculated.

Item 6. Capital Programme – Funding Issues

- 6.1 The Director of Infrastructure and Property Services tabled an outline paper and gave a summary of the current situation. In previous years there had been a single line capital budget of around £2.3billion in total for the 3 years to 2010/11. Late last year, because of the MoG changes and as the Capital Committee had previously noted, the capital budget was split into two lines – without consultation – in year and applied retrospectively to 2007-08. The 16-19 Capital Investment fund is now ring-fenced and the previous years underspend on 16-19 capital was retained by DCSF instead of being carried forward.

- 6.2 The Capital budget is tops sliced by a number of other obligations. ICT takes £90million, the exceptional support budget is approximately £33million and funding for JISC also comes out of the Capital budget. There is no possibility of replacing the top-sliced funds in the current year although using capital funds for exceptional support had ended and these funds would be added back to the capital pot from next year. Had the budget not been split and ring-fenced it is likely that capital funds would have been managed to ensure enough flexibility this year to cover the increased demands. Instead a special submission had been made to DIUS to bring forward funds from future years (when the capital budget increases) to cope with the current exceptional demand for funds.
- 6.3 The Regional Capital Strategies have highlighted an additional circa £4billion of project proposals since last year. The strategies are likely to take another three months to rationalise and for the prioritisation of new projects in the pipeline and will be presented to the Committee probably in March.
- 6.4 It had been suggested that whilst the Regional Capital Strategies and priorities are sorted all the determination of in principle applications should be discussed at the October Council meeting
- 6.5 Slippage in projects has been reduced as the Committee now determines the in detail application much later in the process than in previous years to ensure greater cost certainty. As a result work is generally about to start on site when the detailed application is discussed. A delay of several months to the beginning of the next financial year now has to be worked into the process between AiD and grant payments beginning, even if this increases costs a little. An interim reporting process between AiP and AiD also needs to be built into the process.
- 6.6 The Committee was told that there is a possibility of capital allocations being brought forward to help ease current pressures. There may also be the possibility, given recent announcements by the Government of bidding for additional funds for the capital budget, but it is far from certain that this will happen.

Item 7. Applications Agreed under Chief Executive's and Regional Directors' Delegated Authorities

- 7.1 The Committee noted the paper.

Item 8. Date of next meeting

- 8.1 The next meeting of the Committee will take place on 18 November.

Meeting chair	Norman Boyland
Minute taker	Pete Sanders
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Capital Committee – 22 October 2008 - Attendees

Members Attending

Norman Boyland – Chair
John Bull
Richard Haynes
Paul Jagger
Mike Collier
Malcolm Trobe
Ashley Winter
Maggie Galliers
Edward Libbey
Lynne Morris

Apologies for Absence

Peter Ibbertson
George Sweeney

Item 4 – Capital Applications for Approval by the Council

1 Peterborough Regional College

College

- Don Lawson - Principal
- Brian Redshaw
- Peter Walker

LSC

- Michael Gardner – Cambridgeshire LSC
- John Nay - Cambridgeshire LSC
- Alan Searle – Regional Finance
- Keith Felgate – Regional Property Advisor
- Paul McGuire – Regional Finance Director

2 Sandwell College

College

- Val Bailey – Principal
- Sheryl Downen
- John Tew – Chair of Governors

LSC

- Debbie Callaghan - Regional Property Advisor
- Chris Knight – Regional Finance
- Mike Bell – Area Director – Black Country
- Stephen Packman

3 Tresham Institute

College

- Mark Silverman - Principal

LSC

- Andrew Cheal – Acting Area Director – Northamptonshire LSC
- Dianne Brown – Regional Property Advisor
- Andy Neill – Regional Finance

4 Telford College of Art and Technology

LSC

- Sharon Gray – Area Director – Herefordshire LSC
- Chris Knight – Regional Finance
- Debbie Callaghan - Regional Property Advisor

5 Newcastle 6th Form

College

- Jackie Fisher - Principal
- Jeff McCall
- Esme Winch

LSC

- David Johnson – Regional Property Advisor
- Chris Roberts – Regional Director North East
- John Smith – Regional Finance Director

6 West Kent College

College

- Bill Field – Principal
- Elizabeth Owens
- Terry Coleing

LSC

- David Smith – Area Director – Kent and Medway
- Isabelle Wragg - Regional Property Advisor

7 Bolton Community College and Sixth Form

LSC

- Chris Griffin – Regional Finance Director
- David Johnson - Regional Property Advisor
- John Rawsthorne

8 Liverpool Community College

LSC

- Debbie Callaghan - Regional Property Advisor
- Chris Griffin - Regional Finance Director

9 Solihull College

LSC

- Debbie Callaghan - Regional Property Advisor
- Chris Knight – Regional Finance

Item 5 – Capital Applications for Approval by the Capital Committee

1 Bishop Auckland College

LSC

- David Johnson - Regional Property Advisor

2 Couldson College

LSC

- Pravin Parmar - Regional Property Advisor
- Basheer Dilmahomed – Regional Finance
- Chris Wright – Acting Area Director – London South

3 Regent College

LSC

- Mary Rogers – Area Director – Leicestershire LSC
- Dianne Brown – Regional Property Advisor
- Andy Neill – Regional Finance

Other LSC Staff

- Philip Head
- Denis Miles
- Roger Taylor
- Andy Brown (for Judith Wilson)
- David Russell
- Pete Sanders