

Minutes



Leading learning and skills

Date 27 February 2008
Subject National Capital Committee
Location Conference Room
Time 10:30
LSC office National Office (London)
Publication intent Internal

Present Norman Boyland (Chair)
John Bull
Richard Haynes
Alan O'Neill
John Taylor

In attendance South Tyneside College:
Jim Bennett - Principal
Helen Beaton
Jim Petterson
John Smith - LSC
John Wayman - LSC
Stephen Harrison - LSC
David Johnson - LSC
North Hertfordshire College:
Fintan Donohue - Principal
Simon Botterill
Richard Ackroyd
Signe Sutherland
Jeff Wren - LSC
Alan Searle - LSC
Keith Felgate - LSC
Newcastle-under-Lyme College:
Bob Walding - LSC
Pauline Tiller - LSC
Isabelle Wragg - LSC
Solihull College:
Andrea Quigley - LSC
Nuclear Skills Academy:
Jaine Clarke - LSC
Stefani Bellani - LSC

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- LSC staff**
- Pravin Parmar - LSC
 - Capital Policy Issues:
 - Jon Gamble - LSC
 - Phil Head
 - Denis Miles
 - Sue Randall (Clerk)
 - Judith Wilson
- Apologies**
- Apologies have been received from:
- Terry Dabbs
 - Lynne Morris
 - David Russell
 - George Sweeney

Item 1. Welcome, apologies and declarations of interest

- 1.1 The Chair welcomed all to the meeting and the Committee noted the apologies.
- 1.2 The Chair declared an interest in the Abingdon and Witney College application which had come before him at the SE Regional Board, so the Committee agreed that John Taylor should chair that item.
- 1.3 Philip Head advised that two members of the interim Regional Boards had volunteered to become members of the Committee.

Item 2. Minutes of the last meeting on 18 January 2008

- 2.1 Minute 4.12 – add in the word “this” after “The members commented that...”.
- 2.2 Minute 4.3 – incorrect spelling of Barnstaple to be corrected.
- 2.3 Minute 4.11 – Re-word to read: “An experienced external project manager has been appointed”.
- 2.4 The Committee took the opportunity to record their thanks to the usual clerk, Pete Sanders, for consistently producing well written minutes despite the complex and technical discussions.

Item 3. Matters arising

- 3.1 Grimsby – Judith Wilson confirmed that she had reviewed the available information and no single project had gone over the Financial Memorandum limit.
- 3.2 Philip Head advised that due to its size, the Price Waterhouse report on extending eligibility would be posted to members.

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- 3.3 Gateway College - There was no feedback available yet on the land sale to Redrow. Philip Head agreed to report the up to date position at the next meeting.

Item 4. Capital Applications for Approval by the National Council and Capital Committee

South Tyneside College

- 4.1 This is a college with a much improved financial and management record on 5 years ago. However, its estate remains of poor quality and needs improvement.
- 4.2 The college comprises two main sites, one of which houses a marine engineering facility. The college was proposing the simultaneous modernisation of both sites as follows:
- Hebburn Campus – the demolition of the whole of the existing campus and its replacement with a new single building for general FE provision to be developed in two phases
 - Westoe Campus – demolition of the existing campus and replacement with new build accommodation, including the marine curriculum accommodation. This would also be undertaken in two phases.
- 4.3 The combined developments were estimated to cost £89.15 million with LSC grant support of £75.8 million (85%).
- 4.4 There was a competitive FE environment in the region, although there was no duplication of effort. The volatility of the marine industry was an issue, especially given that virtually all the provision was company sponsored. The college had made the marine facility its top priority in terms of investment. Its first class reputation made a huge contribution to the rest of the college as far as esteem was concerned.
- 4.5 The college's self assessment work showed it to be half way to an "outstanding" rating in all areas, although Level 3 and A level provision could improve. 68% of provision was now good or satisfactory. The college was satisfied that no area was weak enough to merit removal.
- 4.6 The college was holding ongoing discussions with the RDA over funding for the new builds. The RDA was generally supportive, especially in terms of funding for equipment. It was hoped to have resolved this issue by the detailed application stage.
- 4.7 Valuation advice on the sale of surplus land available at Westoe gave an estimated land sales revenue of £7million. This amount assumed planning permission and the college was able to assure the Committee that the local planners were in support of the project.
- 4.8 The Committee felt that there were issues around the feasibility of this proposal, particularly involving management capability issues. The college was aware of the difficulty of maintaining college business while undertaking two ambitious build projects. Lots of thought had been given to this, and the college had developed a system of decanting which they felt would sufficiently aid the process. The college agreed it was a complex

undertaking – which could be exacerbated if the two projects progress under one contract – but equally felt that their approach was both sensible and achievable.

- 4.9 The college had appointed an Estate Manager with a remit to manage the transition. The college had gained buy in from staff, which was seen as crucial to maintaining the quality of the educational process throughout the project.
- 4.10 Movement of staff and students around the sites was an issue. The college agreed and added that it was campaigning for a metro station nearby to make it easier for staff and students to move between campuses.
- 4.11 The college was confident it would find a developer for the proposed residential accommodation. There had been some interest shown, and direct negotiations had now begun. Some members felt that this represented a significant risk to the project because viable developers were not easy to find, and the accommodation must be of the highest quality if it is to attract the required numbers of learners.
- 4.12 A further concern was that the Marine facility was subsidising the rest of the college. The LSC members present acknowledged this, but felt that with the college's financial health improving this would become less of an issue. The Capital Committee requested that this should be further demonstrated in the detailed application. It was also noted that the college was also recovering from a substantial LSC clawback in 2004.
- 4.13 The proposed one contract approach was also felt to be a risk, as it would mean a large funding commitment. It was agreed that the college should only return to the Committee once both proposals are ready. The LSC members present acknowledged the concern, but advised that to involve two contractors would also present different difficulties and risks. The LSC team was asked to look at this whole area as it could alter projections.

Decision: The Committee agreed to endorse the £89.15 million project on an in principle basis for approval by the National Council at an indicative 85% (£75.8 million) grant support level on the proviso that there are demanding questions to be answered.

North Hertfordshire College

- 4.14 Alan O'Neill recorded that he had chaired the most recent regional meeting which reviewed this project.
- 4.15 The college essentially wants to finish a strategy which had already seen its sites in Letchworth and Stevenage rebuilt mostly funded by sales receipts. The college has not previously requested grant support and the college intends to fund this part of the project – the redevelopment of the Hitchin Centre – with a combination of disposal proceeds held over from the sale of surplus land to Asda, long term borrowing, college reserves and grant support from the LSC of £27.816 million (59.3%), towards a total project cost of £46.908 million.
- 4.16 Norman Boyland noted that the project had a positive Net Present Value (NPV), although this was precarious.

- 4.17 The Committee noted that growth projections were modest, but acknowledged the college's assertion that it was trying to be realistic, and that in 16-18 provision in particular, there had to be an emphasis on getting the mix right. The Committee noted that the site in question was projected to attract growth. but it was concerned that, given the conservative forecasts for learner activity, the detailed application should re-examine the business case and the extent to which learner numbers and full cost provision across the college could be increased to the benefit of the college's financial forecasts.
- 4.18 The Committee considered the educational case and felt it to be strong. However, it was concerned to see cohesion between the sixth form curriculum and other centres in the area.
- 4.19 The Committee asked the college to give more thought to the flexible use of some of the proposed spaces. The performance space for instance could have roll-back seating to increase flexibility.
- 4.20 In terms of timescales, it was noted that a designer had been appointed, it was expected to move to stage D by January 2009, and there were no planning issues to address.
- 4.21 The LSC team agreed to a re-assessment at the detailed stage of the proposed grant support level, although it currently looked about right.
- 4.22 This was felt to be a conservative proposal which may benefit from coming in higher. It was acknowledged, though, that the detailed stage would probably result in an increase in costs.
- 4.23 The scheme is expensive, with a thin operating surplus, which caused concern over growth ambition. The LSC team took the Committee's comments and concerns on board.

Decision: The Committee agreed to endorse the £46.908 million project on an in principle basis for approval by the National Council at an indicative 59.3% (£27.816 million) grant support level.

Newcastle-under-Lyme College

- 4.24 This detailed application is significantly different from the one initially presented at in principle stage in 2005. The costs have doubled, and the Committee noted that it would have benefited from another in principle consideration.
- 4.25 The college's proposal now comprises the development of a college on its Trinity Road campus and the disposal of the Liverpool Road campus to Sainsbury's Supermarkets Ltd.
- 4.26 The college is now requesting detailed approval for its revised proposals at a total cost of £52.401 million with grant support from the LSC of £24.104 million (46%).
- 4.27 The Committee noted that because the current proposal differed so much from the in principle proposal it now had gaps in its understanding about the pattern of provision in the area. The Committee was reassured to note a system of rationalisation of provision across colleges in the North Staffordshire area.

4.28 The project had attracted some £7 million in funding from Advantage West Midlands. The involvement of Sainsbury's in the project had started a positive chain reaction, with Advantage West Midlands keen to capitalise on the wider regeneration opportunities afforded by the project.

4.29 Sainsbury's planning consent was in place and it was clear that conditions would be satisfied in order for the £12.5 million disposal proceeds to be released.

Decision: The Committee identified some operating deficits which would need to be addressed, but endorsed the £52.401 million in detail project proposal for approval by the National Council at the 46% (£24.104 million) grant support level.

Abingdon and Witney College

4.30 Norman Boyland handed the Chair to John Taylor for this item (see minute 1.2).

4.31 The college is seeking in principle approval to the second in a three-phased strategy of campus renewal focused on its Witney campus. The Regional Capital Group had raised a number of issues when it considered the proposal, which this second iteration seeks to address.

4.32 The college is seeking grant support of 87% (£24.789 million) towards an estimated project cost of £28.493 million.

4.33 The Committee commented on the high quality of the detail provided by the LSC region, and noted that there were no problems with the property side of the proposal.

4.34 The Area team commented that the proposal would assist the college's improvement from a satisfactory Ofsted rating. Their provision for Learners with Learning Difficulties and/or Disabilities was particularly strong.

4.35 Growth projects were felt to be accurate following a mapping exercise across the Thames Valley region.

4.36 The college's senior management team was strong and had planned the project carefully. The Committee was reassured on this point as it felt the rebuilding and decanting plan posed a significant risk. It asked the Area team to monitor this aspect of the plan carefully.

Decision: The Committee agreed to endorse the £28.493 million project on an in principle basis at an indicative 87% (£24.789 million) grant support level.

Solihull College

4.37 The proposal is essentially to re-clad the existing building on the college's Blossomfield campus. The building is viable to be re-clad and although planning permission had not yet been finalised, no problems were anticipated.

4.38 The college is requesting in principle approval for its proposal at a total project cost of £26.457 million with grant support from the LSC of £16.351 million (61.8%).

- 4.39 The college had robust plans in place to minimise disruption to staff and students during the work.
- 4.40 The Committee noted that learner number growth was projected to be disappointingly flat, and the college could be making itself vulnerable by not planning to grow. Local employers should be encouraged to use the college as a resource.

Decision: The Committee agreed to endorse the £26.457 million project on an in principle basis at an indicative 61.8% (£16.351 million) grant support level, subject to growth and income issues being robustly monitored and managed.

Item 5. Nuclear Skills Academy

- 5.1 Jaine Clarke, Stefani Bellani and Pravin Parmar joined the meeting, and gave a presentation summarising proposals for capital investment in the new Nuclear Skills Academy - the first full Academy proposal to come before the Committee.
- 5.2 There is a government commitment to set up 12 National Skills Academies by 2008, all of which are currently in progress. This proposal aims to draw on good practice established by the Fashion and Retail prototype.
- 5.3 The Committee was asked to consider both in principle and detailed proposals. The in principle proposal related to the NSA Nuclear/Bridgwater College, with a project cost of £25.883 million at an LSC grant support level of 17.4% (£5.177 million). The detailed proposal related to NSA Nuclear Cumbria, with a project cost of £20.516 million at an LSC grant support level of 27.4% (£3.456 million).
- 5.4 The Committee supported the principle of the project. However, it had a number of areas of concern around asset ownership. The NSA expected to be self-financing in around 3 years' time yet Bridgewater College owned part of the asset. It was not clear how this would work in practice or how the LSC would protect its investment. It was agreed that the Committee must be satisfied about proof of title of land ownership before it would agree to the release of funds. In addition, it must be assured who the creditors are and how the academy proposed to structure its capital assets.

Decision: The Committee agreed to the in principle application. It also agreed to delegate the final authority to approve the application to the Chief Executive. However, this agreement was on the clear proviso that the legal issues outlined above are addressed clearly and the Committee must see the proposal again in the interim to check its progression.

Item 6. Capital Policy Issues

National Capital Strategy

- 6.1 The Committee was asked to approve the National Capital Strategy which had been recently revised following steers from Ministers. Ministerial priorities centred around:
- Regeneration

- Specialisation
- Social cohesion
- Sustainability.

6.2 The Committee's attention was drawn to two particular aspects of the Strategy: the move towards prioritisation of projects; and the challenges arising from the lack of a single line budget following the ring fencing and separation of DIUS and DCSF capital funds.

6.3 The Committee **agreed** the Strategy, but commented that the use of deprivation indices as a prioritisation reference were only useful in conjunction with a number of other factors and should not be used alone. Also, the Committee was comfortable with increased delegation to the regions for capital approval in due course once the new Regional Councils had been established and had bedded in, but felt that a process of national moderation would be beneficial, particularly if a system of prioritisation was introduced.

Formula Based Allocations

6.4 The Committee noted an agreement with DCSF to make capital available to colleges in the FE sector to assist them to create or improve activity and learning centres for young people. The first phase would be an allocation in March 2008 to see if there was an appetite for this type of funding. If so, the strategy would continue with a probable maximum funding level for individual projects of around £200,000.

6.5 The Committee noted the good rare of applications for the new Energy Efficiency Grants among providers, expected to total £10 million at the end of February 2008.

6.6 Jon Gamble joined the meeting to discuss the proposal for a formula based capital allocation to those providers delivering Offenders' Learning and Skills Service (OLASS). The allocation would operate in public sector prisons, and would be exclusively for repair and improvement rather than new build. Purchases made under these allocations would remain in trust to the prison, and would not pass to the provider.

6.7 The Committee **approved** this approach on a strategic level and delegated authority for final sign off of these schemes and allocations to individual providers to the Chief Executive.

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

7.1 The Committee noted the approvals granted under delegated authority for Farnborough College of Technology and Barnsley College, plus 12 applications from schools for 16-19 Capital Funding agreed since 29 January 2008.

Item 8. Any Other Business and Date and Venue of Next Meeting

8.1 Phil Head advised that he was minded to close the list of projects to come to the next two meetings as they were in danger of becoming unmanageable.

8.2 It was agreed that thought be given to the timings of agenda items within meetings to make them more accurately reflect the time needed. Items take an hour to consider if the college management team attend which suggested a maximum of two presentations per meeting.

Action: Phil Head

8.3 The Committee was broadly supportive of holding one of the next meetings at a college, but it was agreed that the location had to be right to accommodate members' travel commitments. It was felt that 21 May would be an ideal meeting to hold at a college, possibly with a tour of the building the evening before followed by the meeting proper the next day. Phil Head agreed to work with the secretariat to come up with a workable proposal.

Action: Phil Head

Meeting chair	Norman Boyland
Minute taker	Sue Randall
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