

Minutes



Leading learning and skills

Date 5 October 2006
Subject Capital Committee Meeting
Location Grosvenor Gardens, London
Time 10:30
LSC office National Office
Publication intent Internal

Present Sandra Burslem, John Taylor, Terry Dabbs, Richard Haynes, Alan O'Neill, John Bull, Norman Boyland

In attendance **For Burnley College:**
John Smith, Principal
Hugh Branwell, Deputy Principal
Colin Crowther, Director of Finance & Resources
Ian Howarth, Area Director, Lancashire LSC
Abduss Wadee, Lancashire LSC
Steve Dunmore, Regional Finance Director
For Wakefield College/Askham Bryan/Priors Pursglove and Bishop Burton College:
Richard Hoyle, West Yorkshire LSC

LSC staff Philip Head, Alastair Grindlay, Judith Wilson, Denis Miles, David Johnson

Apologies Apologies have been received from:
David Russell
Lynne Morris
George Sweeney

Item 1. Welcome, Apologies and Declarations of Interest

- 1.1 The Chair welcomed all present to the meeting, and noted apologies had been received from David Russell, Lynne Morris and George Sweeney.
- 1.2 Members noted the declarations of interest from Terry Dabbs in relation to Priors Pursglove College and Redcar and Cleveland College in his capacity as Chair of LSC Tees Valley. Alan O'Neill also declared an interest in Oaklands College in his capacity as Chair of Hertfordshire LSC.

Item 2. Minutes of last meeting

- 2.1 Members agreed that the minutes of the 6 September 2006 meeting were a true and accurate record of discussions and decisions made, subject to the following amendments:
- 2.2 Paragraph 5.3 should say Strode College not Stroud College.
- 2.3 One member asked if paragraph 6.15 should refer to “retrospectively” receiving details of approvals. The Chair confirmed that this arrangement would be reviewed within a year.
- 2.4 One member also asked that the typo at the top of page three be corrected - ‘SSEDA’ should say ‘SEEDA’. Also, the third bullet point should say “it was clear that the college would benefit more from co-location than the universities and it would have access to floorspace in the University of Kent building and the major new library facility”.

Item 3. Matters arising

- 3.1 There were a number of matters requiring updates from the minutes of the 6 September 2006 meeting.
- 3.2 West Cheshire College – The Director of Infrastructure and Property Services explained that he had met with the college’s senior management and they are very disappointed with the outcome of its planning applications for the new site in Chester and the sale of its existing premises. The college are now proposing to build a technology centre at its Ellesmere Port site. The college also hopes that it may have found an alternative site near the centre of Chester for a smaller main campus in partnership with a developer. New proposals are likely to come forward to this committee for consideration in the new year.
- 3.3 3.4 Harrow Collegiate 16-19 School Proposals - The Director of Infrastructure and Property Services explained that the Regional Director has still not reached agreement with the local authority and local schools in Harrow as to the shape of the pattern of post-16 provision. Consultants have now been brought in to do a formal review.
- 3.4 6.3 Breakdown of projects since 2001 - The Director of Infrastructure and Property Services circulated a paper to the committee showing this information. The Capital Programme Manager also showed the committee five impressive photographs of South Devon College, Doncaster Education City, Darlington College, Truro College and Aylesbury College. All were recently completed major capital projects.
- 3.5 6.8 Proposed post evaluation return - The Director of Infrastructure and Property Services handed to the committee a copy of the proposed post evaluation return which colleges are expected to complete.
- 3.6 6.9 CSR submission - The Director of Infrastructure and Property Services handed out a copy of the latest CSR submission from the DfES. Further discussion of this item is referred to in AOB.

- 3.7 6.15 Delegated Authorities - The Chair explained that the Council had agreed the changes to the delegated authorities and this means that the Capital Committee now has approval to determine capital applications seeking grant support for projects up to £30 million.

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

- 4.1 Members were advised that there was only one major project application, from Burnley College, seeking in principle consent and grant support from the Council for consideration by the Capital Committee and recommendation to the National Council.

Burnley College – in principle – 57%

- 4.2 Burnley College was seeking in principle approval for it to proceed with a £64 million proposal to replace time expired buildings which are no longer fit for purpose, with a new campus with distinct and interlinked elements – a skills and adult centre, university centre funded by HEFCE and a 16-19 centre. Net of the cost of an HE centre to be funded by HEFCE the eligible costs of the project were estimated at £64 million. The Director of Infrastructure and Property Services highlighted the background of the proposal for deliberation by the members.
- 4.3 The Chair highlighted the negative Net Present Value (NPV) and the members agreed that this was a key issue which would need to be raised with the college. A short discussion then took place which the Chair believed the committee would need to clarify in the context of what at this stage was only an in principle application:
- Given the investment appraisal what could the college do in order to increase the NPV?
 - Clarification is needed on who would own the HE element of the assets.
 - There is uncertainty about the funding HE part; so this will affect the level of affordability.
 - The paper refers to 'some degree of pit mining underneath the preferred site'. To what extent and would the £9.5m from the NWDA be enough to cover this?
 - Could the City Council give more flexibility to improve the chances of finding an alternative site?
 - What is the extent of the survey work and what are the abnormal cost items?
- 4.4 Representatives from Lancashire LSC and Burnley College were invited into the meeting to provide clarification on the above points. The Chair asked the College delegation for a brief rationale for the current proposal.
- 4.5 The Principal started by firstly explaining that this proposal was not only about new buildings, but it was about providing something for the local community in order to help them improve their chances in education.

- 4.6 The Principal circulated a booklet detailing the vision for Burnley and explained the needs, the way forward and the deliverability of their vision. Overall, Burnley College wish to put forward this proposal in order meet the needs of post 16 learners both within and outside education> In terms of wider aims the project proposal would:
- contribute to the social and economic regeneration of an area facing major challenges;
 - contribute to delivering the regional economic strategy and
 - to underpin a wider education and enterprise cluster.
- 4.7 The Principal concluded his presentation by confirming that this was a proposal with a powerful vision which and has excellent stakeholder support, is in an advanced state of preparedness and has a governing body and management team which is willing and competent to take this on for Burnley and the wider area.
- 4.8 The Chair thanked the College delegation for their presentation and explained that the members of the committee had a numbers of issues which needed further clarification; the site, the size and the numbers, the role of HE in the proposal and the finances (NPV).
- 4.9 One member asked how certain were the clean up cost estimates is which the NWDA would contribute (£9 m)?
- 4.10 The Principal reiterated that the NWDA intended make a serious contribution to the costs of the proposal although the contribution had yet to be formally approved. The mining problems were not unexpected and were well documented. The NWDA would expect certain outcomes from the project and one of these is an iconic building as being an image of Burnley.
- 4.11 Members asked if the tendering was on course to meet the timescales. The Principal stated that its project managers, AA Projects, had confirmed that it will fall within the timescales stated. One member advised that by March when the detailed application was expected, the LSC would need to see a high level of cost certainty and stated that the timescale is currently very tight to meet this deadline.
- 4.12 One member said it was pleasing to see that the curriculum planning is advanced but wanted further clarification as to if UCLAN would own the HE part of the premises. The Principal confirmed that UCLAN would own the HE part.
- 4.13 A member of the committee asked who the Project Manager would be on behalf of the College and wanted reassurance that they would have the experience and competence to manage this large project. The Principal explained that their college have four members of staff on the internal management side plus a Project Manager who will work 60% on the project with the possibility that this time may be raised if necessary. AAP Projects will service project with the college's internal Project Manager acting as the client sponsor.

- 4.14 The Chair suggested that the college was being very modest with its learner number forecasts and suggested that if it was a bit more optimistic then it would increase the NPV. The Chair also wanted to clarify if the HE numbers were included in the figures. The college responded by stating that this project is mainly based upon the need to replace aged buildings and such will not necessarily produce the required NPV as the potential for significant growth. The college also confirmed that the HE numbers are not included and any growths in HE income would go to UCLAN. The only HE costs are what they have now and these are constant.
- 4.15 One member said that the affordability comparisons were the same irrespective of the level of LSC support. The income does not change, but the cash balances go up. The Principal responded by saying that by 2012 the college would be aiming to improve its financial position and if things worked out, there would be a second stage of development at which time the college's affordability position could be reviewed.
- 4.16 A member asked about the cash flow after the third year. Normally, if the grant goes up or down then this changes the cash flow so clarification was needed as to why this was not the case. The college replied by explaining it would have a revolving credit initially but after the third year this would be changed and it have secured long term loan finance.
- 4.17 Members noted the enthusiasm for this project and noted that the local community and partners were very much behind the project. Members asked the college for further clarification on how they work with employers and could they introduce a new income stream from employers.
- 4.18 The Principal explained that working with employers was not a stable area and they had been prudent in their predictions. The college has a business development unit who are employer facing and he reiterated their desire to become more involved in employer activities and this will hopefully increase with modern facilities. The aim of the proposal is to create a skills and adult environment and the efficiencies created by the new institutions will help to increase the work with employers. The Principal gave examples of three such working arrangements; a partnership CoVE with Blackburn College, Train to Gain and working with electrical employers in Accrington.
- 4.19 Members noted that this employer work is thriving and should be reflected in the project finances.
- 4.20 The Chair thanked the Principal and his colleagues for attending and giving the presentation and asked LSC Lancashire colleagues to remain for the committee's decision.
- 4.21 The Chair stated that this proposal had more substance to it and there is obvious scope for the NPV to be improved. A 20% growth in numbers would improve the NPV into a positive figure. The Area Director of Lancashire LSC responded by saying that a 20% increase in numbers would be too much and that the college is on target to move to the 1,640 FTE target, but agreed there could be additional volumes which they could work on.

4.22 Members commented that significant improvements can be made on the employers side in order to have an income stream from working with employers.

4.23 Members decided that in the light of the college's cautious financial projections it would restrict the notional grant support rate to 50% of the overall costs equivalent to 59% of the eligible project costs

Decision: The Capital Committee agreed to recommend the Burnley College proposal for approval on an in principle basis to the Council with a grant support rate of 59% of eligible project costs of £64m.

Item 5. Capital Projects – Projects for Approval by the Capital Committee under delegated Authority from the Council

5.1 The Director of Infrastructure and Property Services advised that there were eight capital applications for the Committee's consideration and approval.

Wakefield College – 10% detailed

5.2 The college is proposing to dispose of the Whitwood Campus and provide a vocational academy and 14-19 academy at Glasshoughton, West Yorkshire. It is partly using sale proceeds to finance the development together with a LSC grant of 10%. Future phases of the college's property strategy may require higher grant support.

5.3 Members noted that this college was building up a reasonable cash balance and that this issue along with VAT mitigation and risk management needs to be considered and will be fed back to the region.

Decision: The Capital Committee agreed to approve the proposal at a grant support rate of 10% but with the advice to the Yorkshire and Humberside region that the position on VAT mitigation and risk management issues should be monitored.

Bromley College – 81% detailed

5.4 Bromley College had now submitted a detailed application for Phase 2 of the capital project, following further local analysis in light of changing demand, with amendments from that approved at the approval in principle stage.

5.5 It was also noted by members that the income varies with the capital grant on the affordability statement and it was suggested that all such documents are reviewed in detail before they come to the Capital Committee.

5.6 The Director of Infrastructure and Property Services offered to give clear guidance to the regional finance teams advising them of the required documentation needed. This will ensure that they are sufficiently trained in order to stop the last minute discussions taking place a week before a Capital Committee Meeting.

Decision: The Capital Committee agreed to approve the proposal at an overall grant support rate of 50% and 78% on the second phase with the condition that VAT mitigation and risk management issues are reviewed.

Redcar and Cleveland – 54% detailed

- 5.7 The College had requested detailed approval to its proposed capital scheme which comprises of consolidation onto their Corporation Road Campus into a new building to be developed adjacent to their existing premises.
- 5.8 Members noted that there is an inability to use any operating surplus and the learner growth assumptions do not increase. It was also noted that construction costs for 'external works and preliminaries' are not abnormal. Finally, a big issue that is still outstanding is the VAT issue and discussions are currently on-going.

Decision: The Capital Committee agreed to approve the proposal at a grant support rate of 54% with further clarification required for VAT, risk management and details of the bank loans.

Cambridge Regional College – 10% in principle

- 5.9 The College's project proposal consists of the construction of academic facilities, refurbishment of space within the existing sports hall, creation of a pitch, construction of a car park and completion of a site wide security scheme.
- 5.10 The Chair raised a query about the growth in learner numbers as 200 plus new 16-19 FTE growth may require a competition and therefore we may need to consider if this growth is linked to the new facility or general growth across the college.

Decision: The Capital Committee agreed to approve the proposal at a grant support rate of 10% with the proviso that the competition position should be clarified before a detailed application could be determined.

Bishop Burton College – 55% in principle

Richard Hoyle, from West Yorkshire LSC joined the committee at this point.

- 5.11 This College is seeking in principle approval for its proposal to implement its property strategy and masterplan in two detailed phases. The proposal includes remodelling of the existing campus by constructing new buildings and a new road system. Existing buildings will also be refurbished. Provision for 100 self financing residential units will also be made on site.
- 5.12 Members noted the proposed residential provision and that risks needed to be reviewed.

Decision: The Capital Committee agreed to give the college 50% of eligible costs.

Coulson College – 50% in principle

- 5.13 Coulsdon College is a Sixth Form College situated in a quiet residential area. It is seeking in principle approval assuming capital grant support of 50% to construct a three storey academic block, demolish existing college buildings, and extend the sports hall and the creation of a temporary refectory for the learners during the redevelopment.
- 5.14 The project will be in two phases. Phase one will provide some facilities ahead of phase two for the construction of the new college and demolition.

5.15 Members noted that the location of the college was not ideal, but no other suitable locations were available. Members were also unclear how it tied in with Croydon College.

5.16 Members pointed out that depreciation increases by a large amount although the project has not begun. Members also noted that there was a declining student population showing that there is only modest increase in 16-19 growth.

Decision: It was agreed that this decision should be deferred and further advice sought to provide greater clarity needed on financial planning issues

Askham Bryham College/Priors Pursglove College – 66% detailed

5.17 This project is being put forward jointly by Askham Bryham College and Priors Pursglove College in order to develop facilities by both colleges. The proposal consists of consolidating the whole of Askham Bryan's existing provision within Tees Valley onto the Guisborough campus and provide additional accommodation for Priorsglove to enable them to vacate their temporary accommodation. The proposal will also address much needed car parking and site access requirements.

Decision: The Capital Committee agreed to approve the proposal from Askham Bryham College at a grant support rate of 90% and at 35% for Priors Pursglove College element.

Kesgrave High School - 100%

5.18 Kesgrave High School is a mixed comprehensive school to the east of Ipswich. The proposal is to add 180 new spaces to the sixth form and create a number of new specialised vocational areas.

Decision: The Capital Committee agreed to approve the proposal from Kesgrave High School at a grant support rate of 100%.

Item 6. Update on 'In Principle' Applications

6.1 This item on the agenda confirmed progress on those capital projects determined on an in-principle basis where there had been significant changes from the original application.

6.2 The Capital Programme Manager explained that at Suffolk College, planning permission is subject to a number of tight planning and design conditions imposed the Local Authority. Since the submission of the AiP in 2005, the costs of the project have increased due to a combination of inflation, increased abnormal costs arising from site conditions and restraints and revised space requirements. Financial contributions from the other partners had been limited, the college would now have very little HE provision and site conditions and demolition-related asbestos problems in its current buildings were causing substantial abnormal costs.

6.3 Members agreed that this proposal needed to be reviewed by the committee ahead of a detailed application due to the major changes since the in principle application had been considered in 2005..

6.4 Members of the committee noted the current positions of the seven other projects.

Item 7. Sustainable Development Funding Criteria

7.1 In response to the committee's request for further consideration of the sustainable development funding criteria, the Capital Programme Manager explained to the committee how an initial 10% uplift in the criteria for those projects that can demonstrate increased sustainability.

7.2 It is proposed that a college would qualify for this additional allowance by showing that the contractor appointed can provide a sustainability statement with regard to:

- Environmental – The LSC would require that the building is credited with a minimum of “very good” for BREEAM;
- Energy management – Electricity to be avoided for heating;
- Materials – Avoid the use of non-renewable materials;
- Environmental Landscape – Incorporate green spaces and providing facilities for cyclists and
- Recycling – Systems for recycling including rain water.

7.3 A member of the committee asked how the judgement for the 10% would be made. The Capital Programme Manager said that it would be the Capital Committee who would decide this.

7.4 The Capital Programme Manager explained that design guidance is currently being worked on and this will be communicated to colleges via a handbook.

7.5 The committee agreed revisions to the Council's capital cost indicators to include a 10% uplift for projects that demonstrate increased sustainability.

Item 8. Capital Projects – Projects Approved under the Chief Executive's Delegated Authority

8.1 The Capital Committee noted that there had been two applications for consent and capital grant support under the Chief Executive's authority.

Item 9. Any other business

9.1 The Director of Infrastructure and Property Services referred to the CSR 2007: Capital handout. The paper addresses the next stage of the CSR capital review. The forecast identifies the investment required to renew the FE system in order to enhance capacity, quality and functionality in line with the White Paper vision. It is informed by regional capital strategies and assumptions about additional cost pressures including inflation, sustainability and deliverability.

Item 10. Date of next meeting

10.1 The next meeting of the Committee will take place on Thursday 9 November, at the LSC Offices, Grosvenor Gardens, London, commencing 10:30.

10.2 The Director of Infrastructure and Property Services informed the committee that the December Capital Committee meeting (12 December) needed to be moved to another date as this date has been taken by Mark Haysom for a "Directors Day". Given that it will be the Chair's last meeting, it was suggested that the meeting be held in Manchester, near to the City Centre and Picadilly Train Station. It was agreed that the meeting would be on **Monday 18 December at 11am in Manchester**. The Chair offered to find a venue.

Action: Chair to find venue and Clerk to email committee members with the new date, venue and time

Meeting chair	Sandra Burslem
Minute taker	Cheryl Lynch
Date created	6 October 2006
Document ref.	C:\Documents and Settings\pountnc\Desktop\nat-capitalcommitteemeeting-minutes-05oct2006.doc