

Minutes



Leading learning and skills

Date 6 September 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, Sir George Sweeney(advisor) Lynne Morris (advisor)

In attendance **For Mid Kent College:**
Stephen Grix, Principal
Henry Ball RD SE
Pauline Tiller RFD
For Derby College
Nigel Gell, Principal
David Croll, Finance Director
Peter Brammall AD Derbyshire
Andrew Martin RFD
For Epping Forest College
Janice Logie AD

LSC staff David Russell, (first hour) Philip Head, Alastair Grindlay, Judith Wilson, Denis Miles, Dianne Brown, Isabelle Wragg,

Apologies Apologies have been received from:
Norman Boyland

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 Norman Boyland. There were no declarations of interest.

Item 2. Minutes of previous meetings

2.1 Members noted and approved the amendments to the revised minutes of the June 2006 meeting and agreed that they were a true and accurate record of the discussions.

2.2 Members also agreed that the minutes of the July meeting were a true and accurate record and gave their approval.

Item 3. Matters arising

- 3.1 There were a number of matters requiring updates from the minutes of previous meetings.
- 3.2 West Cheshire College - The Director for Infrastructure and Property Services informed the Committee that the college had not been granted the planning consents to progress with its proposal and was, therefore, obliged to rethink its strategy. He would be the college later in the month and would report the up to date position to the next meeting
- 3.3 Oaklands College - The Director reported that as a result of proceeds from the sale of its existing estate which had been significantly improved by favourable planning consents the College was in a very good position to be able to progress its proposals on its existing campus in a much better financial position than anticipated.
- 3.4 3.1 Harrow Collegiate 16-19 School Proposals - Discussions were still taking place on the proposals as alternative solutions were considered. A further update would be available at the next meeting.
- 3.5 3.3 the sustainable development cost criteria item would be brought to the next meeting in October for discussion, and, hopefully, approval.

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

- 4.1 The Chair advised members that there were three large projects for approval from three providers; Mid Kent College, Derby College and Epping Forest College, and introduced the first of these which was a presentation by the college principal and senior management.

Mid Kent College - detailed - 60%

- 4.2 The Chair asked members to note the receipt of:
 - a statement from the Chair of the LSC's South East Regional Board, Norman Boyland, stating the Regional Board's support for the project proposal, and
 - a copy of a letter from the University of Kent to Stephen Grix, principal of Mid Kent College, regarding the latter's request for further contributions from the University in respect of the open space linking the two institutions. The purchase of this land was a condition of the land sale from the MoD; and
 - further submissions from both the College and Kent and Medway LSC/SE Region further explaining the material changes to the project proposal since the in principle stages.
- 4.3 Before inviting the presentation from the Principal and area/regional LSC officials, the Director for Infrastructure and Property Services reported briefly on his visit to the college the previous day. He confirmed that:
 - the College's proposal had come at the end of a major cycle of university investment on the nearby Chatham Dockyards site to which the RDA

(SEEDA) and HEFCE had made major financial contributions and from which the college would benefit;

- the disputed open space acted as a buffer between the college and MOD site and contained a historic monument, the Chatham Lines fortified ditch
- the joint universities' site was 30ft lower than the University site; and
- 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.

4.4 Members identified the points on which they would seek clarification as:

- the current size of the contingency now that £1.7m had been added to the costs and the risk to the project further archaeological or historical remains being unearthed;
- possible maintenance liabilities of the open space; and
- Whether all other alternative sites had been exhausted

4.5 The Chair invited the Principal and the Regional Director for the South East Region into the meeting to present the proposal. The Regional Director spoke briefly in support of the proposal, and emphasised the strong level of support from all parties and the Regional Board. He confirmed that the College would benefit almost exclusively from the open space, and that it would be unrealistic to expect the University of Kent to make further contributions.

4.6 The Principal presented the educational case for the proposals and the benefits of choosing the proposed site, allowing the students access to HE facilities, including the Drill Hall Library – a result of much investment by the SEEDA. He accepted that the College would reach a high level of borrowing in the short term but that negotiations with the banks had been positive with regard to these levels of borrowing.

4.7 Members were invited to comment and ask questions for clarification. A major concern was expressed regarding the extra expenditure of £12.5m for this particular site and whether it represented true value for money. The Principal assured the Committee that the project team had considered 12 other possible sites and had concluded that this represented the best value for money when all resultant benefits had been taken into account. He had hoped for a better deal from the MoD but it had been extremely hard nosed and the District Valuer had been brought in to help set a purchase price the college could justify. The open space would be dedicated to a trust and there would be no ongoing liability to the college for the ancient monument. He also felt that the contingency was reasonable as the college already had near final cost certainty and would be on site shortly, assuming the proposal was approved. Despite an exhaustive search the proposed site was the most convenient for learner catchment and travel and was the only one near the joint universities' campus.

4.8 One member cautioned against the enrolment of large numbers of adult learners as this would affect the VAT rating payable but the college's

Principal said that the college's general FE mission meant that this was unavoidable..

- 4.9 Members welcomed the additional information presented at the meeting in enabling them to reach their decision.

Decision: The Capital Committee **agreed to recommend** the Mid Kent College proposal to National Council for approval and agreed a capital grant level for 60% of the capital project costs, subject to any increase in the sale proceeds from the sale of the college's redundant sites being shared 50:50 with the LSC, and subject to very careful project management.

Derby College – in principle - 38.7%

- 4.10 Derby College was seeking capital grant support of 38.7% at the in principle stage of a project to rationalise and upgrade its estate following recent mergesr. Having completed first phase of the Joseph Wright Sixth Form Centre in Derby, the next phase in the capital strategy involved the development of a new general FE facility to replace its Mason's Place site and an extension to the Joseph Wright Centre.
- 4.11 This was an unusual project in that it involved the conversion of a grade 2 star listed Victorian former locomotive shed and engineering centre, the Roundhouse, situated near the city centre and within walking distance of bus and train stations.
- 4.12 The Chair invited the college Principal and the local LSC Area Director to talk through the main features of the project and to explain the rationale for the current proposals.
- 4.13 The main issue identified was the feasibility of taking on Grade II listed historical buildings and being able to meet the refurbishment conditions and building consent set by English Heritage and the Heritage Lottery Fund, including the need for reasonable public access through the site.
- 4.14 The Principal explained that the project proposed three separate developments in order to manage the decanting of students from one building to another during the building work.
- 4.15 Members noted that the proposals were still at a fairly early stage - neither the site for the Joseph Wright extension nor the agreement to purchase the Roundhouse had been finalised.
- 4.16 One member was concerned that the 16-18 facility should be self contained in order to reduce the VAT liability, but the principal explained that it was a condition of sale that the College buildings would be available in the evenings and at the weekends for the local community. It was suggested that it might be worthwhile negotiating a contribution to the VAT liability from the local authority to meet this requirement.
- 4.17 Another member advised that it was important to bear in mind the likely increase in costs because of the nature of the listed buildings, and the need for expert advice in specifying, designing and managing contracts for heritage buildings.

4.18 The Committee commended the College for its willingness to take on this particular site and also for managing to raise substantial potential extra capital funding from other public bodies including EMDA.

4.19 The College confirmed its intention to return for approval at the detailed application stage no later than Spring 2007.

Decision: The Capital Committee **agreed to recommend** the proposals by Derby College for approval at the in principle stage at a grant rate of 35% with the provisos that:

- there was evidence of a robust risk assessment;
- there was a review of the VAT liabilities and how these might be abated;
- experts in converting heritage buildings should be appointed to the College's project team;
- the implications of having public access through the site should be assessed; and
- the college should return as soon as possible to the Committee with detailed proposal.

Epping Forest College – detailed – 20%

4.20 The College was seeking capital grant support and approval for its proposal to part rebuild and part refurbish its estate. The project came forward for approval in principle in March 2006 and was approved at a grant rate of 20%.

4.21 The costs had increased marginally since the in principle stage due mainly to building cost inflation and abnormal costs relating to the sloping and environmentally sensitive nature of the site.

4.22 The LSC Area Director (AD) for Essex was invited into the discussions to answer members' questions. Members began by raising the issue of the current college inspection ratings of level 3 across the curriculum areas and asked whether inspection grades had been taken into account in the risk assessment.

4.23 The AD confirmed that steps had been taken recently to improve the grades; the Principal had taken advice from the local office and was dealing with the issues but that these had not been reflected in the risk assessment. The AD and his colleagues would monitor the situation at the college to ensure that this aspect of risk was minimised.

4.24 The Capital Committee agreed to recommend Epping Forest College's detailed application to the National Council and agreed to a grant support level of 20%.

Item 5. Capital Projects – Projects for Approval by the Capital Committee

5.1 There were two projects for approval by the Committee on the agenda. One from Strode College and the second from Abbeyfield School from the 16-19 Capital Fund.

Strode College – detailed – 46%

- 5.2 Strode College was seeking approval and grant support of 46% for its proposal to replace its outdated accommodation in huts with a new block providing large general purpose classrooms to cater for an increase in student numbers.
- 5.3 Members noted that the LSC was confident of the strong demand for places at the college and that the LSC concurred with the College's self assessment of Category A for financial health

Decision: The Capital Committee **agreed to approve** the Strode College proposal at the detailed stage at a grant support rate of 45%

Abbeyfield School – 100%

- 5.4 Abbeyfield School had received approval from the Wiltshire SOC on 24 July 2006 for re-designation as an 11-18 school and was now seeking capital funding from the 16-19 Capital Fund to provide a dedicated sixth form extension to accommodate 195 learners.
- 5.5 All building costs were confirmed to be within the Council's Value for Money criteria for schools' development.
- 5.6 One of the advisors to the Committee requested further particulars of how the proposal had been developed to better understand how the educational case had been put forward.

Action: P Head to arrange for project details to be shared Sir George Sweeney ?

Decision: The Capital Committee agreed to approve the application from Abbeyfield School for capital funding from the 16-19 Capital Fund and confirmed the rate of support at 100%.

Item 6. Forward Capital Programme and Delegated Authorities

- 6.1 Members were asked to review and comment on the progress report which had been prepared for the September National Council meeting. The report was introduced by the Director for Infrastructure and Property Services who took each paragraph of the report in turn.
- 6.2 **Paragraph a** - The table showed comparative investment on a regional basis from 2001 to 2005. Members were asked to note that there were now more of the larger projects coming forward, some of which were proving to be quite complex, and that the number of projects requiring the Chief Executive's approval had fallen.
- 6.3 **Paragraph b** - The capital programme to renew FE estates by circa 2013 was well underway but it was difficult to judge on a percentage basis as the base was continually shifting. The Chair asked for a breakdown of the numbers of projects since 2001 which were started but not completed, started and completed and those which were just abandoned.

Action: Capital Programme Manager to provide a printout with the information.

- 6.4 **Paragraph c** - Members asked about the amount of Regional capital investment and whether it was in proportion to the population numbers or to the rate of learner activity. They were referred to the table in the report on page 4 which showed the results of a preliminary analysis of regional investment against learner activity and relative progress in terms of the percentage of regional estates renewed and modernised. . A short discussion ensued on the reasons for the variance in the figures. One reason was the wide discrepancy in various regions inheritance pre 2001 although since 2001 regional capital investment had been broadly pro rata to learner activity. . Another was that some Executive Directors had been more proactive than others in putting forward capital bids. In some cases political pressure had been brought to push proposals forward and government initiatives such as assisted area status. Another reason suggested was the difference in land value from region to region.
- 6.5 Members accepted that the rate of investment in each region was broadly equivalent to the relative proportions of learner activity.
- 6.6 Members also noted that the final two columns of the table could be misleading, in that the figures represented relative progress in each region and could be misinterpreted if the different starting points were not understood. It was suggested, therefore, that the proportion of floorspace remaining to be renewed should be related to the national total rather than individual regional totals. .
- 6.7 One member was particularly concerned that there had not been greater demand for capital fund support from principals and local LSCs. Other members commented that this was probably due to acclimate of risk aversion and a lack of business acumen in the sector. Members expressed the hope that the new LSC streamlining measures would encourage more investment.
- 6.8 It was further suggested that there was a performance management issue and that there was a need to have more detailed post occupation evaluation on major projects to assess for quality and success.

Action: Director for Infrastructure and property Services to consider further.

- 6.9 **Paragraph d** - it was pointed out that if the 2009/10 budget profile continued at its present rate the capital programme would have broadly finished by 2013, However with the addition of a further £1-2 billion for the additional expenditure implications of the FE White Paper this could set the notional target back a further two years.
- 6.10 **Paragraph e** - the Director advised members that the report from Price Waterhouse Coopers would be available in October/November.
- 6.11 **Paragraph f** - 16-19 Capital Fund .The Director reported that progress had been delayed by a year due to the election a policy rethink by the DfES and that there was likely to be a sizeable underspend in this area in 2006-06. Part of the budget would be carried forward to 2007-08 with DfES approval and part transferred to the general FE line
- 6.12 **Paragraph g** - the Director described some of the activities taking place under the agenda for change objectives.

- 6.13 **Paragraph h** - he cited the proposed new web based Capital Handbook with updates on technical guidance, to bring about better developed and more accurate applications for capital grant approval, which would in turn speed up the process of project delivery.
- 6.14 The Director for Infrastructure and Property Services went on to outline the main points of the annual spending review as described in the meeting paper. He confirmed that the DfES would be finalising its submissions to the Treasury on capital issues by the end of October.
- 6.15 The Chair introduced a short discussion on the proposed changes to the delegations authorities summarised in the report to the committee. She confirmed that these were based on discussions at the previous meeting and had been endorsed by the Executive Committee. She asked for clarification on the proposed enhanced role of the Regional Directors and was referred to the table at annex 2. Following a discussion on the basis upon which executive delegations would be monitored the committee agreed to recommend the proposed capital delegations to the Council for approval subject to:
- The Capital Committee continuing to receive retrospectively details of approvals taken under delegated executive authority by the Chief Executive and Regional Directors; and
 - Regional Boards receive retrospectively details of approvals taken under delegated executive authority by Regional Directors

Item 7. Capital Projects – Projects Approved under the Chief Executive’s Delegated Authority

- 7.1 The Capital Committee noted the five applications for capital grant support since 13 July 2006.

Item 8. Any other business

- 8.1 The Chair advised members that this was the clerk’s final meeting as an LSC employee and went on to thank her for her work in servicing the needs of the Committee. She introduced Cheryl Lynch who would now be taking over the role.

Item 9. Date of next meeting

- 9.1 The next meeting of the Committee will take place on Thursday 5 October, at the LSC Offices, Grosvenor Gardens, London commencing 10:30.

Meeting chair	Sandra Burslem
Minute taker	Alison Kakoura
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