

# Minutes



Leading learning and skills

|                           |   |
|---------------------------|---|
| <b>Date</b>               | 28 September 2007                                       |
| <b>Subject</b>            | Cardinal Newman College - Local Board Sub Group Meeting |
| <b>Location</b>           | LSC Lancashire  |
| <b>Time</b>               | 16:00   |
| <b>Publication intent</b> | Internal  |

|                  |  |
|------------------|--|
| <b>LSC staff</b> | Mike Collier<br>Tony Gill<br>Ian Haworth<br>Sarah Rawsthorne<br>Steve Dunmore<br>John DuBarry<br>David Johnson |
|------------------|--|

## Introduction

The purpose of the meeting was to discuss the property and financial cases of Cardinal Newman College's capital application. This application is based around a 4 phase strategy, with phases 1 and 2 seeking detailed approval and phases 3 and 4 seeking in principle approval. At the conclusion of these phases, 85% of the college estate will be made up of new buildings. It was noted that the educational case had already been discussed and agreed.

## Property Case

The cost of phases 1 and 2 is in the region of £10.8 million. This figure includes a high level of abnormal costs due to the location of one of the new buildings. The cost of phases 3 and 4 is in the region of £21 million. There are also substantial abnormal costs in these phases, but they are in line with other schemes and are deemed to be acceptable. Outline planning permission has been received for phases 3 and 4 which is satisfactory at this stage. An issue around VAT was highlighted. The college has taken professional advice on VAT. It was noted that phases 1 and 2 are VAT exempt. However, phases 3 and 4 currently attract VAT and it is proposed that approval for these phases is granted on the basis that the building design is reviewed to reduce the VAT charge.

## **Finance Case**

The main area of the finance review is to ensure the project demonstrates value for money. In terms of LSC support, the college is seeking 65% for phases 1 and 2 and the LSC is recommending 60%. The college is seeking 96.4% for phases 3 and 4 and the LSC is recommending 95.4%. It was noted that these are recommendations and that the National Capital Committee may amend these amounts. The issue of VAT was also raised by finance colleagues.

The net present value (NPV) of phases 3 and 4 was noted as this is negative. In addition, as the inflation has been excluded at this stage, the negative NPV will be increased when the inflation is included at the detailed approval stage. It may be that a separate business case is required to address this issue.

The financial annexes to the board paper were covered. A concern was raised around annex B1, option b, as this does not show the college returning to an operating surplus in the timescale provided. However, it can be seen from annex B2 that the college does return to an operating surplus following phases 3 and 4. The financial effects of efficiency savings can also be seen in annex B2.

In terms of borrowing, it was noted that the college's corporation had approved 40% but that they are only required to borrow 38.5%. It may be that National Capital Committee seek 40% borrowing from the college.

## **National Capital Committee**

It was thought that the National Capital Committee would seek further information/question the following areas:

- VAT on phases 3 and 4
- The lost learner issue on the educational case
- The level of abnormal costs

## **Recommendation**

It was recommended that phases 1 and 2 be granted detailed approval. In relation to phases 3 and 4, it was recommended that this is granted in principle approval subject to the building design being reviewed to address the VAT issue.

|                      |  |
|----------------------|--|
| <b>Meeting chair</b> | Mike Collier   |
| <b>Minute taker</b>  | Sarah Rawsthorne   |
| <b>Date created</b>  | 28 September 2007  |
| <b>Document ref.</b> | G:\Cross Directorate Teams\New LSC Local Office X Dir Folders\North & West Lancs Team\Preston Area\Cardinal Newman College\capital\lan-localboardsubgroupmeeting-minutes-28sep2007.doc |