LEARNING AND SKILLS COUNCIL:
CAPITAL PROJECT SUPPORT – PROJECT FOR APPROVAL BY THE COUNCIL AND DECISIONS TAKEN UNDER DELEGATED AUTHORITY BY THE CAPITAL COMMITTEE

INTRODUCTION

1 This report informs the Council of recommendations made and decisions taken by the Capital Committee at its meetings on 18 December 2006 and 18 January 2007.

RECOMMENDATIONS

2 The Council is recommended to:
   a. approve in-principle capital proposals from St Helens College Westminster Kingsway College and West Kent College as recommended by the Capital Committee;
   b. approve detailed capital proposals from Westminster Kingsway College, and South Thames College as recommended by the Capital Committee;
   c. agree a revised indicative rate of grant support for an in principle capital application from Harrow College; and
   b. note decisions taken by the Capital Committee under its delegated authority.

BACKGROUND

3 Delegated authorities for determining applications from colleges for project consent and capital project grant support for 2006-07 onwards were agreed by the Council at its meeting on 20 September 2006. It was agreed or noted, in particular:

- the Council would continue to delegate to the Capital Committee authority to agree future capital project support arrangements on an ongoing basis;
- the Capital Committee would advise the Council on such applications for projects estimated to cost more than £30 million;
- the Capital Committee would have delegated authority to determine applications for consent and capital project grant support (including borrowing consent) for projects estimated to cost up to £30 million, the
Chief Executive for projects estimated to cost up to £10 million where the Council’s grant contribution is 50% or less and Regional Directors for projects estimated to cost up to £5 million where the Council’s grant contribution is 35% or less;

- all applications will continue to require the prior endorsement of the relevant local Learning and Skills Council;

- the Council’s criteria will continue to require that colleges’ proposals be assessed against the affordability, viability, value for money and educational justification of such proposals; and

- grants will continue be negotiated with providers according to affordability.


5 Qualifying applicants with projects agreed on an in-principle basis are informed that, in order to assist in testing project feasibility and marketing to, and negotiations with, potential PPP/PFI and other partners, that their projects would meet the Council’s capital projects criteria. This is, of course, without prejudice to the determination of any detailed application in due course. Budgetary provision is usually made for a limited period, usually up to one year.

PROJECT FOR APPROVAL BY THE COUNCIL

6 The Capital Committee considered capital project proposals from four colleges for approval as indicated in Table 1 below and recommended them to the Council for approval. Project details are at annexes A (spreadsheet) and B (project summaries and recommendation) to this report.

Table 1

<table>
<thead>
<tr>
<th>College</th>
<th>Project Cost £m</th>
<th>Grant Support Requested £m</th>
<th>Grant Support Requested %</th>
<th>Grant Support Recommended £m</th>
<th>Grant Support Recommended %</th>
<th>Borrowing £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>St Helens College*</td>
<td>50.275</td>
<td>31.23</td>
<td>63.1</td>
<td>31.723</td>
<td>63.1</td>
<td>15,359</td>
</tr>
<tr>
<td>West Kent College*</td>
<td>59.681</td>
<td>43.57</td>
<td>73</td>
<td>43.57</td>
<td>73</td>
<td>11.8</td>
</tr>
<tr>
<td>Westminster Kingsway College – Phase 1b</td>
<td>53.463</td>
<td>29.4</td>
<td>55</td>
<td>12.49</td>
<td>50</td>
<td>12</td>
</tr>
<tr>
<td>Phase 2*</td>
<td>24.98</td>
<td>15.936</td>
<td>63.8</td>
<td>17.44</td>
<td>69.8</td>
<td>tbc</td>
</tr>
<tr>
<td>South Thames College</td>
<td>68.571</td>
<td>28.114</td>
<td>41</td>
<td>28.114</td>
<td>41</td>
<td>13</td>
</tr>
</tbody>
</table>

* In principle application
The Capital Committee noted, in particular, the major projects from the London region for in principle and detailed approval and that further applications from London colleges would come forward in the near future.

At its November 2006 meeting the Capital Committee had recommended for approval by the Council on an in principle basis a £78.78 million capital application from Harrow College to relocate to a new a 27,541m² campus adjacent to its existing site. The Council agreed the application on the basis of an interim indicative rate of 50% grant support as the Capital Committee had requested additional financial analysis by the regional finance team. This analysis was considered at the Capital Committee meeting on 18 January. The Capital Committee agreed to **recommend** to the Council that the indicative rate of grant support should now be increased to 55%.

Given the weight of business considered by the Capital Committee at its meetings the detailed reports from the respective local LSCs that recommend these applications for approval are not now enclosed with reports to the Council but can be obtained from the Secretariat.

**PROJECTS APPROVED BY THE CAPITAL COMMITTEE**

The capital applications considered and determined by the Capital Committee, at its meetings on 18 December 2006 and 18 January 2007 are summarised in Table 2 below and in the project spreadsheet at annex A attached.

The Council may wish to note the following points in relation to some of these approvals:

a. the Council had delegated to the Capital Committee authority to determine the capital application from Joseph Chamberlain Sixth Form College for its new development at Haden Circus, Birmingham. In approving the application Capital Committee members congratulated the principal, Lynne Morris in taking a very complex and difficult project to fruition. Construction has started on site for completion of the new campus by September 2008;

b. Aquinas College, a very successful Roman Catholic Sixth Form college, came to warn the Capital Committee that it expected that its capital proposals would require a very high rate of grant support given limitations on the college’s financing capabilities;

c. Hereford College of Technology had consolidated both phases of its campus renewal programme into a single phase for immediate implementation;
d. the Bolton Sixth Form College project will be followed by a further new development by the college in Bolton Town Centre in conjunction with Bolton College of Further Education;

e. Lambeth College proposes to develop a new sixth form centre at its Clapham Common site. The college will bring forward further proposals to modernise and renew its Vauxhall and Brixton sites later this year;

f. the Capital Committee decided that Reaseheath College’s cashflow would be better served by equalising the rate of grant support across both the detailed application and the in principle application (in which the detailed costs were absorbed) and that it should be calculated against the gross project costs which included residential student accommodation; and

g. grant support of 35% for the Royal National College for the Blind (RNCB) project in Hereford is predicated on the predicted outcome of fund raising by the RNCB, a registered charity and the Council’s support will be reviewed at the detailed stage.

Table 2

<table>
<thead>
<tr>
<th>Colleges</th>
<th>Project Cost £m</th>
<th>Grant Support Requested £m</th>
<th>Grant Support Requested %</th>
<th>Grant Support Agreed £m</th>
<th>Grant Support Agreed %</th>
<th>Borrowing £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joseph Chamberlain College</td>
<td>39.843</td>
<td>21.914</td>
<td>57.5</td>
<td>21.913</td>
<td>55</td>
<td>3</td>
</tr>
<tr>
<td>Aquinas College**</td>
<td>30.077</td>
<td>27.069</td>
<td>90</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Herefordshire College of Technology</td>
<td>29.855</td>
<td>17.913</td>
<td>60%</td>
<td>17.913</td>
<td>60%</td>
<td>3.473</td>
</tr>
<tr>
<td>Bolton Sixth Form College*</td>
<td>13.550</td>
<td>6.049</td>
<td>44.6%</td>
<td>6.049</td>
<td>44.6%</td>
<td>3.501</td>
</tr>
<tr>
<td>Blackpool College*</td>
<td>12.773</td>
<td>8.091</td>
<td>63%</td>
<td>7.66</td>
<td>60%</td>
<td>4.682</td>
</tr>
<tr>
<td>Lambeth College</td>
<td>20.632</td>
<td>5.158</td>
<td>25%</td>
<td>5.158</td>
<td>25%</td>
<td>13.362</td>
</tr>
<tr>
<td>Reaseheath College*</td>
<td>18.106</td>
<td>11.77</td>
<td>65</td>
<td>11.77</td>
<td>65</td>
<td>Short term:13 Long term: 4</td>
</tr>
<tr>
<td>Reaseheath College</td>
<td>2.803</td>
<td>0.28</td>
<td>10</td>
<td>1.822</td>
<td>65</td>
<td>2.8</td>
</tr>
<tr>
<td>RNCB Hereford*</td>
<td>16.479</td>
<td>5.768</td>
<td>35%</td>
<td>5.768</td>
<td>35%</td>
<td>2.623</td>
</tr>
<tr>
<td>City of Bath College</td>
<td>10.255</td>
<td>2.564</td>
<td>25%</td>
<td>2.564</td>
<td>25%</td>
<td>2.366</td>
</tr>
</tbody>
</table>

* Approval in Principle **pre-approval for information
The Capital Committee also agreed a capital application from the Chenderit School at Middleton Cheney, Northamptonshire. This was for the development of a new single-storey vocational sixth form block/centre of 800m² to be constructed on the existing school site at a cost of £1.57 million which the Council will fully fund.

PROJECTS APPROVED UNDER THE CHIEF EXECUTIVE’S AND REGIONAL DIRECTOR’S DELEGATED AUTHORITIES

The Capital Committee noted that three applications for consent and capital grant support had been approved under the Chief Executive’s and Regional Director’s delegated authorities since the previous Council meeting. These projects are listed in annex A and:

- were estimated to cost a total of £8,620,491;
- required capital project grant support of £2,474,100 over three years;
- required consent for secured/unsecured borrowing of up to £2,417,000;
- had been assessed by the local LSC assessment teams with support from the central property and finance teams.

LEGAL IMPLICATIONS

There should be no adverse legal implications for the Council in the recommendations and decisions reported above. Under the financial memorandum each college has with the Council, colleges must seek the Council’s consent to property-related transactions with a cost or value of the lesser of £1 million or 5% of the applicants’ annual turnover. The Council has the legal power to provide capital funding towards the costs of colleges’ and other FE providers’ projects and to delegated authority, as appropriate, for the approval of capital applications.

FINANCIAL IMPLICATIONS

The Council can support the allocation of capital grant to these projects out of funds confirmed as available for capital purposes in the period 2006-07 to 2010-11.

Contact: Philip Head
024 76823254