INTRODUCTION

1 This report informs the Council of recommendations made and decisions taken by the Capital Committee at its meeting on 9 November 2006.

RECOMMENDATIONS

2 The Council is recommended to:

   a. approve an in-principle capital proposals from Colchester Institute, Harrow College and East Durham and Houghall College as recommended by the Capital Committee;

   b. grant delegated authority to the Capital Committee to determine the detailed application from Joseph Chamberlain College at its meeting on 19 December 2006;

   c. note decisions taken by the Capital Committee under its delegated authority; and

   d. delegate authority to the Regional Boards to approve capital applications from schools with 16-19 presumptions.

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 in principle capital project proposals from three 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>Colchester Institute*</td>
<td>61.297</td>
<td>38.100</td>
<td>62.2%</td>
<td>38.100</td>
<td>62.2%</td>
<td>16.2</td>
</tr>
<tr>
<td>Harrow College*</td>
<td>78.768</td>
<td>46.717</td>
<td>59%</td>
<td>39.384</td>
<td>50%</td>
<td>6.201</td>
</tr>
<tr>
<td>East Durham and Houghall College*</td>
<td>30.648</td>
<td>19.921</td>
<td>65%</td>
<td>19.921</td>
<td>65%</td>
<td>8.275</td>
</tr>
</tbody>
</table>

* In principle application

7 Members were concerned that the case for grant support for the Harrow College application did not properly reflect the college’s financial position and financing capabilities. It, therefore, restricted its recommendation to a notional grant support rate of 50% pending the submission of a revised financial case for its consideration in the New Year. It was also noted that each of these applications consisted of two or more separate projects that would be the subject of separate applications at the detailed stage.

8 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.

Joseph Chamberlain College

9 At its June 2006 meeting the Council agreed an in principle application from Joseph Chamberlain College to relocate to a new 14,474 m² purpose built development at Haden Circus, Birmingham at an estimated cost of £37,832,000 and 50% grant support from the Council. The college was to fund the balance of the costs from the sale of its existing site for non-food retail purposes, an up front fee from Birmingham City Council for the use of a new sports hall and £2.5 million of secured borrowing for which consent would also be sought at the detailed stage.

10 The college is working to a timetable of the new campus being built and open for business by September 2008. To achieve this date it will have to be in a position to give the go ahead to its contractors this December to start on site as and from the beginning of January. The next Council meeting is not until 31 January 2007 and would be too late. The Council is recommended, therefore, to delegate to the Capital Committee the approval of the detailed capital application from Joseph Chamberlain College.
PROJECTS AGREED BY THE CAPITAL COMMITTEE

FE Colleges

11 At its meeting on 9 November 2006 the Capital Committee agreed three new capital applications from colleges and one application held over from the previous meeting pending clarification the college’s finances. These approvals are summarised in Table 2 below and in the project spreadsheet at annex A and detailed project summary at annex B attached.

Table 2

<table>
<thead>
<tr>
<th>College</th>
<th>Eligible Project Costs £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>Leicester College</td>
<td>29.097</td>
<td>22.856</td>
<td>78.6</td>
<td>22.856</td>
<td>78.6</td>
<td>nil</td>
</tr>
<tr>
<td>City College Birmingham*</td>
<td>19.084</td>
<td>7.634</td>
<td>40</td>
<td>7.634</td>
<td>40</td>
<td>7.0</td>
</tr>
<tr>
<td>Central Sussex College</td>
<td>3.974</td>
<td>2.583</td>
<td>65</td>
<td>2.583</td>
<td>65</td>
<td>1.391</td>
</tr>
<tr>
<td>Coulsdon College**</td>
<td>16.944</td>
<td>8.472</td>
<td>50</td>
<td>8.472</td>
<td>50</td>
<td></td>
</tr>
</tbody>
</table>

* In principle application ** held over from previous meeting

12 The application from Leicester College was for the implementation of the second and final phase of its campus renewal and redevelopment programme. Although the implementation of phase 1 was broadly in line with the original approval in principle, in terms of cost and programme the college’s financing capability had been adversely affected by the recent reductions in adult funding. After detailed consideration of this issue the Capital Committee agreed that the increase in grant support for phase 2 from 50% to 78.6% was justified.

16-19 School Presumptions

Policy Context

13 The Department for Education and Skills’ (DfES) ‘Five Year Strategy for Children and Learners’ (HM Government, 2004) creates a right for high-performing schools with specialist status to establish sixth form provision where there is pupil and parent demand to extend quality and choice for local students. The criteria are based on value-added results and the percentage of pupils gaining 5 or more A*-Cs at GCSE and 5 or more A*-C including English and Maths at GCSE.

14 A high-performing specialist school should have:

- at least 40% of pupils gaining 5 or more A*-C GCSEs, or equivalent and
at least 35% of pupils gaining 5 or more A*-C GCSEs including English and Maths, or equivalent;

- good improvement in percentage of 5+ A*-C GCSEs, or equivalent compared with similar schools; and

- good value added results, compared with similar schools

15 If a school meets the published criteria, it has 12 months from the date of designation to apply to the 16-19 Capital Fund and make an application to the School Organisation Committee (SOC). The capital funding for the sixth form must be agreed by the Council, at the very least on an in principle basis, prior to SOC. In practice these proposals are relatively modest and the Council is expected to determine most of them just once.

16 The DfES Guidance to School Organisation Committees and Adjudicators (the decision makers on new school provision) has been amended to introduce a presumption that a proposal from a school that meets the published criteria for high performing specialist school status and which opts for a vocational specialism will be approved. In the unlikely event of the SOC not approving the application the proposal will be referred to the Schools Adjudicator, again there is a presumption that such applications will be approved.

17 Of the 17 schools designated under these arrangements in the current year 8 applicants are detailed below, 6 have confirmed they will not apply and 3 remain to apply. A further 17 or so schools are expected to receive this designation next year.

Projects Approved and Recommendation for Future Approvals

18 The Capital Committee agreed the first eight capital applications from schools qualifying from presumption status as set in table 3 below. It also delegated authority to the Chief Executive to agree any changes to the projects and possible increases in costs as they progress to detailed implementation.
Table 3

<table>
<thead>
<tr>
<th>School</th>
<th>Project Cost £m</th>
<th>Grant Support Requested £m</th>
<th>Grant Support Requested %</th>
<th>Additional FTEs</th>
<th>Area m</th>
</tr>
</thead>
<tbody>
<tr>
<td>George Farmer Language and Technology College</td>
<td>2.845</td>
<td>2.845</td>
<td>100</td>
<td>180</td>
<td>1,291</td>
</tr>
<tr>
<td>Gleeds Girls Technology College</td>
<td>2.856</td>
<td>2.856</td>
<td>100</td>
<td>280</td>
<td>1,601</td>
</tr>
<tr>
<td>Aldercar Community Language College</td>
<td>4.361</td>
<td>4.361</td>
<td>100</td>
<td>214</td>
<td>2,210</td>
</tr>
<tr>
<td>Kirk Hallam Community Technical College</td>
<td>4.473</td>
<td>4.473</td>
<td>100</td>
<td>220</td>
<td>2,210</td>
</tr>
<tr>
<td>Lees Brook Community Sports College</td>
<td>3.034</td>
<td>3.034</td>
<td>100</td>
<td>150</td>
<td>1,650</td>
</tr>
<tr>
<td>Ashton On Mersey School</td>
<td>4.696</td>
<td>4.696</td>
<td>100</td>
<td>300</td>
<td>2,600</td>
</tr>
<tr>
<td>Middleton Technology School</td>
<td>6.933</td>
<td>6.933</td>
<td>100</td>
<td>350</td>
<td>3,250</td>
</tr>
<tr>
<td>Notley High School</td>
<td>4.931</td>
<td>4.931</td>
<td>100</td>
<td>300</td>
<td>2,462</td>
</tr>
</tbody>
</table>

19 The Capital Committee also agreed to recommend to the Council that approval to agree most capital applications based on presumptions be delegated to the new Regional Boards from 1 January 2007. It also proposed, however, that project proposals involving more than 350 FTEs and/or estimated to cost more than £7 million would be determined by the Capital Committee.

20 These changes reflect Ministers’ wishes that a simplified “fast track” process should apply to such applications and to ensure that for most cases the LSC formally considers the application once. This means that schools’ proposals need to have a reasonable expectation of cost certainty otherwise they may have to face another decision making stage albeit under delegated authority. If the main recommendation at paragraph 19 above is agreed, it is also recommended that approval to any changes to the approved costs would be delegated to Regional Directors to agree following a value for money assessment by the relevant Regional Property Adviser (supported by the national Property Services team) and subject to his or her specific recommendation.
Issues

21 By the very nature of the “presumption” Capital Committee members noted that the educational justification in such cases has to effectively be taken as predetermined or at the very least assuming the presumption of success. The ability to challenge such proposals is, therefore, limited to applying the other value for money and financial criteria that are usually applied to schools capital applications to the Council’s 16-19 Capital Fund. It is not intended that the Council should challenge the educational justification or the number of new 16-19 places that could be proposed. Objections from the Council would be noted at the SOC but would not necessarily stop a project proposal from proceeding. It is tacitly agreed, however, that the LSC would be able to take a more critical approach to project proposals involving more than 350 FTEs and/or estimated to cost more than £7 million.

22 The Capital Committee agreed that these constraints on the Council in judging the educational benefits and value for money in determining capital applications from schools with a 16-19 presumption should be brought to the attention of the Council.

CAPITAL PROJECTS AGREED UNDER THE CHIEF EXECUTIVE’S DELEGATED AUTHORITY

23 The Capital Committee noted that one application for consent and capital grant support had been approved under the Chief Executive’s delegated authority since the previous meeting. This project is listed in annex A and:

- was estimated to cost a total of £678,609;
- required capital project grant support of £54,861 over one year;
- did not require consent for secured borrowing; and
- had been assessed by the area/regional LSC assessment teams with support from the central property and finance teams and had been recommended for approval.

LEGAL IMPLICATIONS

24 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

25 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 2009-10.

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