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 meeting on 5 October 2006.

RECOMMENDATIONS

2 The Council is recommended to:

   a. approve an in-principle capital proposal from Burnley College as recommended by the Capital Committee; 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.

4 New and revised capital framework arrangements were reported to the Council at its meetings on 23 July 2003 and 10 September 2003. At its meeting on 28 July 2005 the Council agreed the national Capital Strategy.

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 an in principle capital project proposal from Burnley College for approval as indicated in Table 1 below and recommended it to the Council for approval. Project details are at annexes A (spreadsheet) and B (project summary and recommendation) to this report.

<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>Burnley College*</td>
<td>53.934</td>
<td>36.604</td>
<td>67.87</td>
<td>32.182</td>
<td>59.67</td>
<td>5</td>
</tr>
</tbody>
</table>

* In principle application

7 The in principle application from Burnley College is a substantial and important project proposal with a relatively high rate of proposed grant support. But the college is an area of significant social and economic deprivation with some 5 wards appearing in the top 16% of the most deprived of England’s 8,414 wards and is the 46th most deprived borough in the country (out of 376). The Capital Committee recognised the regional and local significance of the project proposal in its recommendation to the Council for approval.

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. The report from Lancashire LSC that the Capital Committee considered can be obtained from the Secretariat.
The Council can support the allocation of capital grant for this project out of funds confirmed as available for capital purposes for the period 2006-10.

PROJECTS AGREED BY THE CAPITAL COMMITTEE

The capital applications agreed by the Capital Committee, at its meeting on 5 October 2006 are summarised in Table 2 below and in the project spreadsheet at annex A 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>Wakefield College</td>
<td>29.359</td>
<td>2.936</td>
<td>10</td>
<td>2.936</td>
<td>10</td>
<td>nil</td>
</tr>
<tr>
<td>Bromley College Phase 2</td>
<td>12.945</td>
<td>10.483</td>
<td>81</td>
<td>10.132</td>
<td>78.27</td>
<td>1.725</td>
</tr>
<tr>
<td>Redcar and Cleveland College</td>
<td>25.608</td>
<td>13.828</td>
<td>54</td>
<td>13.828</td>
<td>54</td>
<td>4.878</td>
</tr>
<tr>
<td>Cambridge Regional College *</td>
<td>16.950</td>
<td>1.695</td>
<td>10%</td>
<td>1.695</td>
<td>10%</td>
<td>5.255</td>
</tr>
<tr>
<td>Bishop Burton College *</td>
<td>16.174</td>
<td>8.896</td>
<td>55%</td>
<td>8.087</td>
<td>50</td>
<td>7.5</td>
</tr>
<tr>
<td>Coulsdon College *</td>
<td>16.944</td>
<td>8.472</td>
<td>50</td>
<td>referred</td>
<td>referred</td>
<td>referred</td>
</tr>
<tr>
<td>Askham** Bryham</td>
<td>2.75</td>
<td>2.75</td>
<td>100</td>
<td>2.475</td>
<td>90</td>
<td>nil</td>
</tr>
<tr>
<td>Priors Pursglove**</td>
<td>3.5</td>
<td>1.4</td>
<td>40</td>
<td>1.225</td>
<td>35</td>
<td>nil</td>
</tr>
<tr>
<td>Kesgrave High School***</td>
<td>2.293</td>
<td>2.293</td>
<td>100</td>
<td>2.293</td>
<td>100</td>
<td>n/a</td>
</tr>
</tbody>
</table>

* In principle application ** Joint project proposal ***16-19 Capital Fund case

Bromley College is redeveloping its Rookery Lane premises in two phases and used up most of its self financing capability in phase 1. The overall rate of grant support for the two phase £23.4 million redevelopment is 51.5%. The Coulsdon College capital application was referred back to London South LSC and the Greater London regional finance team for further information/reassurance on project financing, affordability and growth in learner numbers and planning issues. There were concerns with the Bishop Burton College application in relation to risks with the proposed residential accommodation which would have to be addressed in the detailed application. The Capital Committee queried the lack of robust risk management plans in several cases. It also queried project affordability and agreed reduced grant support levels in several cases.
12 The Capital Committee also commented that in its view several colleges appeared to be artificially distorting their affordability analyses by assuming the same level of loan finance whatever the grant support rate rather assuming increasing loan finance as grant support decreased. Regional Finance teams were asked to address that point in assessing future applications.

CAPITAL PROJECTS AGREED UNDER THE CHIEF EXECUTIVE’S DELEGATED AUTHORITY

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

- were estimated to cost a total of £5,200,000;
- required capital project grant support of £520,000 over three years;
- required consent for secured borrowing of up to £716,000; 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

14 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

15 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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