

Minutes



Leading learning and skills

Date 14 July 2009
Subject AoC Reference Panel on Capital
Location Centre Point
Time 10:00-12:30
LSC office National Office (London)

Present

David Hughes	Learning and Skills Council (LSC)	
Peter Crompton	Salford City College	North West
Ann Tyrell	York College	Yorkshire
Richard Atkins	Exeter College	South West
Mike Atkinson	Plumpton College	South East
Andy Wilson	Westminster & Kingsway	London
John Blake	Sussex Downs College	157 Group
Jonathan Prest	Barton Peveril College	SFCF
Peter Corrigan	Worthing College	SFCF
Angela Donohue	City of Sunderland College	Tertiary College Group
Merydydd David	Reaseheath College	Landex
Helen Sexton	National Star College	Natspec
Lynne Staley Brookes	Plymouth College of Art	Apscad
Phil Head	Learning and Skills Council (LSC)	
Gerard McAlea	Dept of Children Schools and Families (DCSF)	
Laurence Rockey	Dept of Business Innovation and Skills (DBIS)	
Julian Gravatt	Association of Colleges	

Apologies

Robin Parkinson	Great Yarmouth College	East Anglia
John Allen	Lincoln College	East Midlands
Neil Bromley	North East Worcestershire College	West Midlands
John Widdowson	New College Durham	North East

Item 1. Welcome, Minutes and Matters Arising

1.1 David Hughes welcomed people to the meeting. The Minutes of the 15 June meeting were approved

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Item 2. Update

2.1 David Hughes provided an update on the key event since the last meeting. LSC had announced a decision to fund 13 projects on 26 June 2009. The decision-making process had been robust, evidence-based but not perfect, given the constraints which the LSC and PwC were operating within. David Padwick of PriceWaterhouseCooper (PwC) had given a presentation to the AoC capital summit on 7 July 2009. He tabled this presentation as a paper. In the discussion that followed, the following points were made and confirmed:

- a) The LSC was discussing cost and scope reductions with the 13 colleges to reduce the grant it would need to pay. The LSC would not disclose its saving target – this was part of the negotiation.
- b) It was possible that the LSC would secure some spare funds from this value for money challenge process. There were diverse views about how the money would be used.
- c) All 13 colleges had been asked to borrow more. There was a discussion about the issues involved in greater college borrowing. LSC had asked AoC to explore the issues involved for colleges in taking on greater loans. Andy Wilson and Angela Donohue expressed concern about higher college debt and the possible pre-empting of future revenue funds.
- d) LSC officials would publish the scores for the projects which had been assessed by the end of July. The scores would show the points allocated in each of the five categories used to assess projects (most of which were shovel-ready, although some projects had been assessed in addition to this).
- e) Peter Corrigan asked if the fee support regime had changed given earlier suggestions that the LSC might provide more funds than had been promised in the 2006 Capital Handbook. David Hughes said that the LSC would honour fee support payments in line with the handbook, would not pay any compensation but would make support available for colleges in financial difficulty.
- f) In response to a question about the accounting treatment on sunk costs, Julian Gravatt confirmed that most colleges outside the 13 would probably need to write off any capitalised costs in their 2008-9 accounts.
- g) There was a discussion about other LSC capital funds, including the 16-19 Capital Fund, Specialisation Fund for employers and National Skills Academies Fund. David Hughes promised to provide information on spending against each of these funds to the next meeting. Richard Atkins suggested that LSC funding for private sector providers should include a condition that facilities would be available for wider use.

- h) The issue of Building Schools for the Future money for 16-18 education was raised. Gerard McAlea confirmed that DCSF was reviewing this issue. There were different views in the group about the extent to which local decision-making on capital spending would be beneficial. Merydydd David expressed concern that a local approach to 16-18 capital funding would fail to take account of colleges with a regional or even national catchment area.
- i) Mike Atkinson asked for clarification about the extent of the forward LSC budget commitment. David Hughes stated that once the 13 projects had been approved, LSC expected to be committed to spend approximately £700 million from the money available in the period from 2011 to 2014. Given that the Treasury had made £900 million available, this left approximately £200 million. Jonathan Prest and John Blake said it would be helpful for LSC to provide this information on one side of paper.

Item 3. Private finance

3.1 David Hughes explained that LSC had commissioned PwC in June 2009 to carry out work on alternative funding sources for capital projects. The final report was not yet ready but a presentation had been given to the AoC capital summit on 7 July 2009. This paper was tabled. PwC had made three main recommendations so far:

1. A task group should be set up to investigate financing options.
2. Colleges and LSC should develop standard terms and conditions for borrowing.
3. The possibility of collective investment vehicles should be explored.

Julian Gravatt reported that AoC and LSC were supporting a Capital Task Group led by Mark Dawe, Principal of Oaklands College. This had met for the first time on 10 July 2009 and would meet again on 23 July 2009. The conclusions of its work would be reported back to the Reference Group.

The other recommendations were discussed. The proposal for standard terms and conditions was supported but some scepticism was expressed about the idea of collective investment and borrowing vehicles for colleges.

Item 4. Capital strategy

4.1 David Hughes invited discussion on future capital strategies. He suggested that a starting point was a recognition that college projects would need to be smaller and that any future government capital funds would inevitably be tightly targeted. A number of issues were raised in the subsequent discussion:

- a) Andy Wilson suggested that the LSC review its financial memorandum controls on college capital transactions. Mike Atkinson pointed out that the approval limits were particularly low for small colleges.
- b) Decisions would be needed on the future of E-Mandate because the current LSC contract was coming to an end. Mike Atkinson suggested it should be stopped. Phil Head said that 80-90% of colleges contributed data but only 50% used the results.
- c) Different views were expressed on the usefulness of a nationwide survey of the state of college buildings. Phil Head said a survey mirroring the 1993 Hunter survey might cost several million pounds. Peter Corrigan said a survey might be useful. Angela Donohue and Jonathan Prest said that colleges either had or could get relevant data about their buildings at much less cost.
- d) Ann Tyrell said that LSC, government departments and OFSTED would need to consider the wider impact of the college building problems, for example on quality and the way this is assessed in national systems.
- e) Helen Sexton suggested that LSC and its successors needed a new approach for funding specialist colleges catering for students with learning difficulties.

Item 5. Date of next meeting

There was agreement that it would be helpful to have the next meeting around mid September 2009.

Meeting chair	David Hughes
Minute taker	Julian Gravatt
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