

Record of meeting of the Capital Development Committee, 16th August 2023 (via Teams)

In attendance:

Adrian Barras, Craig Shannon, John Holroyd, Richard Armstrong (Chair), Richard King, Simon Lett (Principal), Mark Jones (DOSO&D), Kerrie Norman (Flinders Chase).

The meeting was held to make a final decision on whether to proceed or not with the proposed development at the Huddersfield Infirmary (HI) site. This proposal had been successful in being approved by DfE to receive a £4m grant contribution towards the costs of the capital development as part of the Government's capacity fund budget to increase the number of available 16-19 student places due to the rising demographic population growth over the next 5 years.

As part of the papers for this meeting, Governors had been sent the outcome of the detailed building and M&E Survey's that had been commissioned by Kerrie Norman. In addition, Kerrie had produced revised reconfiguration options for the 3 buildings that comprise the HI development. This showed that it was possible to increase student capacity to c600 students using buildings 1 and 2, with the possibility of further increase in capacity of an additional 150 students through developing building 3. This was a substantial increase over the initial 300 students envisaged when the application to DfE had been submitted.

Against this, due to the continued serious deterioration in the fabric of the existing HI buildings caused by the failure of the developer to undertake the required remedial work to protect these listed building that had been a condition of planning approval by the LA, the likely costs for undertaking the development of buildings 1 and 2 had substantially increased from the estimated £11.9m cost submitted to DfE as part of the Capital Expansion scheme bid to £14.4m. To further develop building 3 to be available for an additional 150 students, would cost an additional £3.3m. IN addition to this, Greenhead College would need to secure the freehold cost of these buildings and it was likely that the developer would want a sum in excess of £0.5m – which although a substantial reduction in the initial £1m figure previously requested by the developer, was above the c£100-200K valuation for this site.

Simon and Kerrie explained that in a prior meeting with DfE officials responsible for the capacity fund, DfE had made clear that any increase in cost for this scheme would fall to Greenhead College to meet. Additionally, DfE made clear that the development would still need to meet the requirement to be taking on additional students by Sept 2024, which Karrie believed could only be achieved by housing an increase in students within the current Greenhead facilities for at least the Christmas term by when it was feasible for buildings 1 and 2 to have been sufficiently completed to be available. Kerrie also explained that in a meeting with the LA senior planning officer, they had expressed some concern that Historic England would allow the demolition of building 3 to enable development of a sports hall facility on that footprint (which had been considered to be more of a priority for the College than a further increasing student teaching capacity by an extra 150 students).

Immediately, prior to CDC meeting, Simon and Richard had met with DfE capacity fund officials who wanted a further update on whether the College was still proposing to proceed with the successful Capital Expansion scheme that had been approved. We had explained that, CDC was meeting that afternoon to consider the survey reports, the latest cost estimates for the development and an updated income/expenditure funding report, which would enable a final decision to be reached on the risks v benefits.

On the funding side (financial case), Mark had previously produced an updated income and expenditure profile but based on 400 extra students. He had quickly updated this to show the likely revised 7 year profile based on income from an extra 600 students against the estimated additional capital costs of the development and increased loan that would be required.

Mark explained that whilst the further increase in student capacity to c600 students would cover the costs of the increase in funding (loan) that Greenhead would require to meet the development cost for the scheme, it would still be 'marginal' in the early first few years of the scheme unless DfE/ESFA agreed not to fund the income increase on the normal lagged basis. Even then, whilst a small annual surplus would then be generated from this development in future years, this could only be achieved by maintaining an increase in student capacity over the full term of any loan (i.e. 25 years). Simon expressed some concern that this would be possible should the submitted Free School bid be successful which had envisaged providing an extra 300 student capacity in STEM subjects. The maximum projected growth in demand over the next 5 year was unlikely to support 900 extra students and after 5 years the demographic profile suggested a reduction in numbers of 16-17 students with the catchment areas.

Craig had undertaken some rough calculations of likely cost benefit ratio of the investment required v on-going income generated which even taking into account a public sector (non-commercial) perspective, suggested that the level of return would be significantly less than that the current GC site achieved and possibly less than could be generated from using the savings in other ways. Both John Holroyd and Richard King also expressed concern about the size and length of the loan required and the financial risks associated with maintaining increased income levels necessary to support paying off these loans even at favourable Government rates.

Simon also expressed reservations that the current science facilities (even after the new science building comes on stream) would be able to take significant extra students for the 1 term.

Adrian Barrass was nervous about the risks of undertaking a rebuild of a historic building, both in respect of finding additional risks (e.g. asbestos) as well as delivering the rebuild in the time now available. He felt that whilst surveyors had made some good assumptions about rebuild costs being equivalent to a complete new build, once we had taken on the ownership of the existing buildings we would be liable for maintaining in good order all elements of the buildings and not just those we intended to utilise immediately.

Conclusion

In summary, Governors agreed that, given the:

- Increase in costs for undertaking the development and the likely need to 'pay over the odds' for the purchase of the |HI site compared to its practical value as a educational facility;
- Delays in being able to undertake construction;
- The level of on-going resources Greenhead would need to commit over a considerable period;
- The uncertainty that student capacity could be maintained at such a high level over the period of the required loan;

That the risks to the financial stability of the College were too great to proceed with the capital expansion scheme based on the HI site. Therefore, CDC members agreed that

we should immediately notify DfE of that decision but also to ask SLT to continue to explore other expansion capacity options for the College.

Approved & signed by Richard Armstrong, Chair on 20/9/23