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Leading learning and skills

Building Colleges for the Future

The LSC's National Capital Strategy
for 2008–09 to 2010–11

March 2008

Of interest to the LSC's key stakeholders
and partners, and to its national, regional
and local partnership teams

Department for
**Innovation,
Universities &
Skills**

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This document describes how the Learning and Skills Council's capital programme will be targeted to support the delivery of the organisation's key aims and priorities.

More detailed information as to how qualifying providers can participate in the LSC's capital programme can be found in the *LSC Capital Handbook*, which is available online at www.lsc.gov.uk.

 For information



A record **£2.3 billion** will be invested in capital projects over the next three years

FOREWORD

State-of-the-art buildings make a huge difference to educational attainment. Our goal is to make England's further education (FE) estate a world leader – a system in which learning is delivered in inspirational, innovative and sustainable environments equipped with industry-standard facilities.

The Government has already demonstrated its commitment to this goal through unprecedented capital investment, and a record further £2.3 billion will be invested over the next three years. This will benefit generations of learners to come, meet the skills needs of employers and act as a catalyst for community regeneration.

Capital investment plays a crucial role in the Government's implementation of its priorities for young people and adults – as set out in the 14–19 reform programme and in *World Class Skills: Implementing the Leitch Review of Skills in England* (published by the Department for Innovation, Universities and Skills (DIUS) in July 2007). It helps us to ensure that the system is equipped to deliver greater specialisation, so that businesses have access to a wider range of industry-specific skills development opportunities for their current and future employees.

Our investment will not only result in cutting-edge facilities – it will also ensure that our workforce has the skills it needs to succeed in a rapidly changing world. The Learning and Skills Council (LSC) will now expect all contractors who access public funding to have in place a formal training plan that maximises access to Apprenticeships, work-based learning and other training opportunities.

We are making significant progress towards modernising the FE estate, but must not do so at the expense of our environment. The Government's Climate Change Bill sets ambitious targets for reducing the UK's carbon emissions by at least 26 per cent by 2020, and 60 per cent by 2050. I am personally committed to making sure that our environmental standards for new college buildings are among the highest in the world, and our ambition is for all new college buildings to be zero carbon by 2016. As part of the LSC's sustainable development action plan, our zero carbon task force will set out our strategy for achieving this.

This document sets out how we are building 'colleges for the future' to meet our strategic priorities, ensuring that the FE and skills sector has the investment needed to achieve its full potential as the driver for economic growth and social mobility.

John Denham
Secretary of State for Innovation, Universities and Skills

EXECUTIVE SUMMARY

Growing evaluation evidence confirms the impact of capital investment on building participation rates, retention rates and attainment, and the LSC and DIUS recognise the crucial importance for learning of the physical environment.

Over the three-year period to 2010–11, the LSC – on behalf of DIUS – expects to invest over £2.3 billion in capital projects, and to promote between £4 billion and £5 billion of development by colleges, schools and other providers.

The rebuilding and modernisation of the FE estate is not an end in itself. Capital investment is a key part of our drive to boost the UK's productivity and global competitiveness. It will help to secure capacity for high-quality Diploma programmes, improve employer responsiveness, and build a more specialised and vocationally excellent FE system to deliver the ambitions of Lord Leitch's report, *Prosperity for all in the global economy – world class skills* (published by HM Treasury in December 2006).

Capital investment also contributes to the achievement of wider government objectives, acts as a catalyst for regeneration and encourages others to invest in communities.

We have made significant progress to date. Since it was formed in 2001, the LSC has approved over £1.8 billion of capital investment in 632 projects (which have cost approximately £4.5 billion). If the annual level of capital funding currently projected to 2010–11 continues into future years, the modernisation and renewal of the FE estate will be substantially complete by 2014.

The LSC and DIUS recognise the crucial importance for learning of the **physical environment**

The changes outlined in this document and the substantial increase in project volumes may all require changes within the LSC as an organisation, in order to deliver an enlarged capital programme. The following changes are likely during 2008–09.

- A more strategic role for the LSC's national capital committee in overseeing capital policy, the implementation of the National Capital Strategy and determining very large capital applications.
- The development of other mechanisms, such as capital committees and a stronger role for employers, to approve the majority of capital project applications.
- Management and professional resources will be strengthened where necessary to help deliver the capital programme. This will better support those regional and area teams dealing with very large projects that require specialist input, better address infrastructure policy issues and provide a programme to enhance colleges' clients' capabilities.



The capital programme will help us to achieve the following objectives.

Securing the right organisational solution and provider network in each local area. We will draw on the expertise and knowledge of the LSC's network of regional and partnership teams, and will work with the relevant local authorities, regional development agencies and sector skills councils. Regional capital plans will reflect national, regional and local plans to improve choice, quality and diversity, and to support regeneration and specialisation. Regional capital plans will drive the approval criteria for individual capital proposals and schemes, with capital funds allocated nationally and regionally as appropriate.

Ensuring that qualifying 14–19 capital projects in the FE system and schools sector are appropriately funded, and promoting collaboration between providers and partners to deliver the 14–19 curriculum. DIUS has confirmed that post-16 capital funding (excluding for higher education) will continue to be administered by the LSC until the machinery of government changes take effect. This will ensure stability in the continuing programme to modernise the FE estate, and will include the 16–19 capital fund for new learner places in schools and FE colleges. (The LSC will continue to work closely with the Department for Children, Schools and Families (DCSF) on this.) The necessary capital support will be prioritised to enable high-performing FE colleges and

school sixth forms to expand their provision, to fund the outcomes of 16–19 competitions, and to support new policies (such as extending compulsory participation in education or training to 18) as they are introduced.

Supporting vocationally excellent FE, voluntary sector and other qualifying providers that have been awarded the New Standard for employer responsiveness and vocational excellence. Providing specialist equipment will help to refocus providers' missions, attract employer engagement, encourage knowledge and technology transfer, and accelerate the rate of specialisation in support of the delivery of the new Diplomas. The LSC will encourage new providers to secure substantial, new high-quality provision by extending eligibility for capital funds (as appropriate).

Supporting sustainability and reducing the carbon footprint of the FE system, and encouraging innovation in sustainable design and construction. To qualify for LSC capital funding, most capital project proposals will need to meet the criteria to achieve an excellent Building Research Establishment Environmental Assessment Method (BREEAM) rating. In addition, the FE system will now be contributing to the Government's own targets for reducing the UK's carbon emissions by at least 26 per cent by 2020, with all new colleges being zero carbon by 2016.

In order to take full advantage of training opportunities, the LSC will expect all contractors who access public funding to have in place a formal training plan that maximises access to Apprenticeships, work-based learning and other training opportunities. This new requirement will be applied equally to all contractors involved in capital undertakings, and supports the Government's commitment to getting the most out of public investment.

The LSC will
extend eligibility
for capital funds



The LSC will continue to develop its programme of support for colleges that wish to improve their expert client capabilities and their processes for developing and procuring new and modernised premises and facilities that are sustainable.

While the LSC will continue to focus its capital funds on supporting and developing the FE system, the organisation also recognises that there is an increasingly important role for capital investment in helping to stimulate the market and in supporting new (as well as existing) providers.

The capital strategy is designed to support the LSC's **three national priorities**:

Priority 1:
Creating demand for learning and skills.

Priority 2:
Transforming the FE system to meet demand.

Priority 3:
Delivering better skills, better jobs and better lives.

CAPITAL FUNDING FOR THE FUTURE

Our plans for 2008–09 to 2010–11

The outcome of the Comprehensive Spending Review of 2007 for capital funding for the period 2008–09 to 2010–11 was partly pre-empted by announcements in Budget 2005 and the Pre-Budget Report 2006.

Against the 2007–08 baseline (including information and learning technology (ILT) funds) of £584 million, year-on-year additional cash increases announced to date for provider capital funding are as follows:

- 2007–08: baseline;
- 2008–09: baseline + £110 million;
- 2009–10: baseline + £235 million; and
- 2010–11: baseline + £265 million.

Following the machinery of government changes in 2007, funding responsibilities for 16–19 activities transferred from the old Department for Education and Skills (DfES) to the new DCSF. The figures quoted above consequently reflect the total funding from both DIUS and DCSF.

These funds include the continuation of resources for investing in the FE estate and the 16–19 capital fund, as well as other priorities such as addressing adult skills, personal and community development learning (PCDL) and the possible extension of capital eligibility to work-based learning providers.



The additional funds are already having a material impact on the rate of renewal and modernisation of the FE estate, but this will need to be accelerated further.

Although there is a continuing need to maximise our spending on priority areas (16–19 and skills), there may be opportunities to offer capital funds more widely. This could be in terms of both provider categories and targeted activities (including investment to ensure that IT facilities and other facilities and equipment are kept up to date, reflect emerging technologies and remain relevant to business needs).

The expansion of capital funds for the period to 2010–11 should enable the LSC both to expand its existing programme elements and to introduce new elements. But, given the rapid growth in demand for project funding, the organisation will have to continue to balance the demand for funds against the capital budget available in particular years.

Since 2004–05, the capital value of **projects approved** on a detailed basis has more than trebled





During 2006–07, the value of capital projects agreed by the LSC reached £1.91 billion. Of this, £690 million was for projects agreed in detail for immediate implementation, £133 million was for 16–19 capital fund projects, and £1.087 billion was for projects agreed in principle to be worked up to the detailed stage.

To meet the increase in budget capital, the annual rate of project expenditure is likely to have to reach £1 billion across the various categories of expenditure from 2008–09 onwards. As at the end of January 2008, £1.1 billion of projects had been agreed on a detailed basis in the year to date.

The pattern of capital projects is rapidly changing towards fewer but much larger projects. The focus on strategic investment encouraged by strategic area reviews and the regional capital plan process (and of course the availability of capital funds) has contributed to more than trebling the capital value of projects approved on a detailed basis since 2004–05.

The average project has grown from £6.7 million in 2004–05 to £11.2 million in 2006–07 and £20.4 million in 2007–08.

But the number of projects has fallen – from 93 in 2004–05 to 62 in 2006–07 and 54 in 2007–08.

The number of projects approved on an in-principle basis increased from 33 in 2006–07 to 48 in 2007–08, although some of the larger and often multi-phased projects may prove difficult to implement during the usual 12–18-month approval period – often due to unforeseen planning delays.

As colleges address larger capital projects, the average rate of grant support is also rising – from 37 per cent in 2005–06 to 55 per cent in 2006–07 and 67 per cent in 2007–08 (for in-principle projects).

For detailed applications, the average rate of grant support has increased from 29 per cent in 2005–06 to 58 per cent in 2007–08. These figures reflect the rapid rise in the scale of projects.

The high proportion of school capital applications to the 16–19 capital fund (from which schools are usually funded at up to 100 per cent of costs) is reflected in the 92 per cent grant support rate for such projects in 2007–08.



HOW ARE CAPITAL PROJECTS APPROVED?

All applications for capital grant support will continue to be assessed against stringent project criteria that address:

- the educational justification for the project;
- the project's short-, medium- and long-term affordability;
- the project's financial appraisal outcomes; and
- the project's value for money.



Affordability, value for money and the availability of funds

The LSC will continue to use an affordability assessment to determine the level of grant support to be awarded, ensuring that each college receives the appropriate level of support. But the affordability criteria will be kept under continuous review, ensuring that they fairly reflect colleges' funding capabilities and the risks involved in implementing major capital projects.

The LSC will continue to monitor the demand for capital funds. It may introduce criteria to prioritise capital applications according to urgency and according to the timing and nature of payments (should the demand for funds exceed the budget available in any particular year).

In considering the level of grant support to be awarded to a provider, the LSC will take account of the following:

- the provider's financial status,
- the provider's future operations, and the potential opportunities and risks associated with operating in a demand-led funding environment;
- any prospects for future growth in revenue funding;
- any potential operational risks of implementing the project; and
- the continuing operation of new premises and facilities.

The LSC is developing a new financial assessment model to help better evaluate the wider benefits of project proposals prior to approval, and will roll out a revised appraisal methodology in spring 2008.

Sustainability, regeneration, specialisation and innovation

As indicated elsewhere in this document, the LSC will expect most capital project proposals to meet the criteria to achieve an excellent BREEAM rating. In addition, the FE system will now be contributing to the Government's own targets for reducing the UK's carbon emissions by at least 26 per cent by 2020, with all new colleges being zero carbon by 2016.

The LSC is developing additional capital project criteria to help ensure that its regional and local capital plans and investment decisions increasingly reflect the Government's priorities for:

- promoting sustainable development;
- reducing carbon emissions;
- addressing the regeneration of communities; and
- encouraging specialisation and innovation in curriculum delivery and wider services to business.

The **affordability criteria** will be kept under continuous review

Higher education in FE

The LSC is working with the Higher Education Funding Council for England (HEFCE) to help ensure that there are no barriers to the development of new higher education facilities in FE colleges, or to the development of new FE facilities in universities and other higher education institutions.



Proposals to be announced in spring 2008 will be based on the following principles

- Where higher education activity in FE colleges is below a certain percentage, the LSC, as now, would have responsibility to provide capital funding for the totality of FE and higher education activity. In these cases the LSC would provide capital funding to FE colleges. Where this is on a project basis, this would include both FE and higher education activity; where an allocation/formula basis was applied, the formula would include both FE and higher education activity.





- Where FE activity in higher education institutions is below a certain percentage, the HEFCE would have responsibility to provide capital funding for the totality of FE and higher education activity. In these cases the HEFCE would provide capital funding to higher education institutions. Where an allocation/formula basis was applied, the formula would include both FE and higher education activity.
- Where both FE and higher education activity levels are above the agreed percentages, the LSC and HEFCE would contribute jointly to an FE/HE capital fund. This will be applied either by a formulaic allocation or by project-specific funding, depending on the particular circumstances (rebuild or major investment needed, as opposed to reinvestment and maintaining capacity).
- The FE/HE capital fund would be managed with advice from a committee drawn from both FE and higher education, supported by both LSC and HEFCE staff. Processes, procedures and accountability would need a light touch, in tune with better regulation. Payments would be made by the lead funding council in accordance with its usual procedures.
- The LSC will continue to work with HEFCE and other regional and local partners to support the expansion of local, high-quality higher education provision. The consultation document *A New 'University Challenge': Unlocking Britain's Talent* (published by DIUS in March 2008) sets out the Government's proposals to expand local higher education provision.

Maximising government investment

In order to take full advantage of training opportunities, the LSC will expect all contractors who access public funding to have in place a formal training plan that maximises access to Apprenticeships, work-based learning and other training opportunities.

This new requirement will be applied equally to all contractors involved in capital undertakings, and supports the Government's commitment to getting the most out of public investment.

In addition, we want students themselves to be involved with 'live' capital projects for their colleges. This will be invaluable experience for them, as well as ensuring that their opinions are reflected in the design outcomes. Where possible, a college's construction students should be encouraged to benefit from work experience on the site.



ADDRESSING THE NEEDS OF 14- TO 19-YEAR-OLDS


- LSC capital funds will support the 14–19 reform agenda.
- The 16–19 capital fund will support increased project activity.
- The LSC will give priority to both sixth form and FE presumptions, as well as to 16–19 competition outcomes.
- The LSC will fund the 14–19 FE component of the Building Schools for the Future proposals.
- 14–16 places will be included in FE capital project proposals.

Our commitment to 14- to 19-year-olds

Successful delivery of the 14–19 reform agenda is dependent on collaboration between providers, the LSC and its partners – particularly local authorities (which have the strategic lead for provision for 14- to 19-year-olds).

The LSC's response to the 14–19 agenda, the FE White Paper and the machinery of government reforms therefore aims to:

- drive the expansion and reorganisation of provision, when and where appropriate, to secure capacity for high-quality Diploma programmes and the full national entitlement for young people in a demand-led environment;
- secure the right organisational solution in each local area through appropriate collaborative arrangements for 14- to 19-year-olds;
- ensure that qualifying 14–19 capital projects in the FE system are appropriately funded;
- prioritise the capital support necessary to enable high-performing FE colleges and school sixth forms to expand their provision; and
- extend eligibility, as appropriate, for capital funds to new providers and training providers where necessary to secure substantial, new high-quality provision.



In line with the strategic leadership role of local authorities in delivering 14–19 reform, local authorities are extending the scope of their Building Schools for the Future proposals to cover all settings in which young people aged 14–19 will learn – including FE colleges.

As funding flows through local education partnerships to implement the Building Schools for the Future proposals, the LSC is directing its capital resources to implement in full the FE component of the programme.

For the first time, there will be an increasingly integrated capital strategy that will deliver for 14- to 19-year-olds across schools and the FE system, thus facilitating a truly collaborative approach to the 14–19 reform agenda.

The 16–19 capital fund will continue to fund new 16–19 places not already included in Building Schools for the Future and academies programmes in both schools and FE colleges. It may from time to time be used to fund other 14–19 capital priorities in schools and colleges with the agreement of the DCSF.

The renewal and modernisation of existing college places and the accommodation of 14–16 provision in colleges will be funded from the LSC's general FE and skills funding lines. The LSC currently has no responsibility for funding for schools capital beyond those projects qualifying for support from the 16–19 capital fund.

New places

The publication of the DfES *Five Year Strategy for Children and Learners* in 2004 announced the creation of a single capital fund for new 16–19 school and FE provision not catered for by the Building Schools for the Future programme or the 11–19 academies.

The 16–19 capital fund addresses capital projects that lead to a strategic expansion of 16–19 provision and offer a material increase in new 16–19 school or FE college places (usually at least 50 full-time equivalent places) arising from:

- increased participation, in particular when identified through the LSC review process;
- area-wide reorganisation in response to reviews undertaken by the LSC and its partners to raise standards and/or promote choice;
- proposals from high-performing 11–16 schools that are eligible for 'presumption' status to add post-16 provision; or proposals from leading FE and sixth form colleges that are eligible for 'presumption' status to increase post-16 provision;
- proposals from other schools to add new sixth form places where there is a strong case to extend the range of learning opportunities available to learners across the 14–19 phase; and
- the outcomes of 16–19 competitions (11 completed or under way) held to determine how demand should be met.

The 16–19 capital fund will provide sufficient funds to schools and colleges to be able to generate projects for around 7,500 to 8,000 16–19 places annually.

The 16–19 capital fund will prioritise proposals from colleges and schools eligible under 'presumption' status, and the outcomes of 16–19 competitions.

The following continue to be met from existing non-LSC sources:

- the capital costs of sixth forms in 11–19 academies; and
- the modernisation needs of sixth forms in schools in the Building Schools for the Future programme.

The capital costs of modernising FE colleges will be met from the LSC's FE capital budgets.

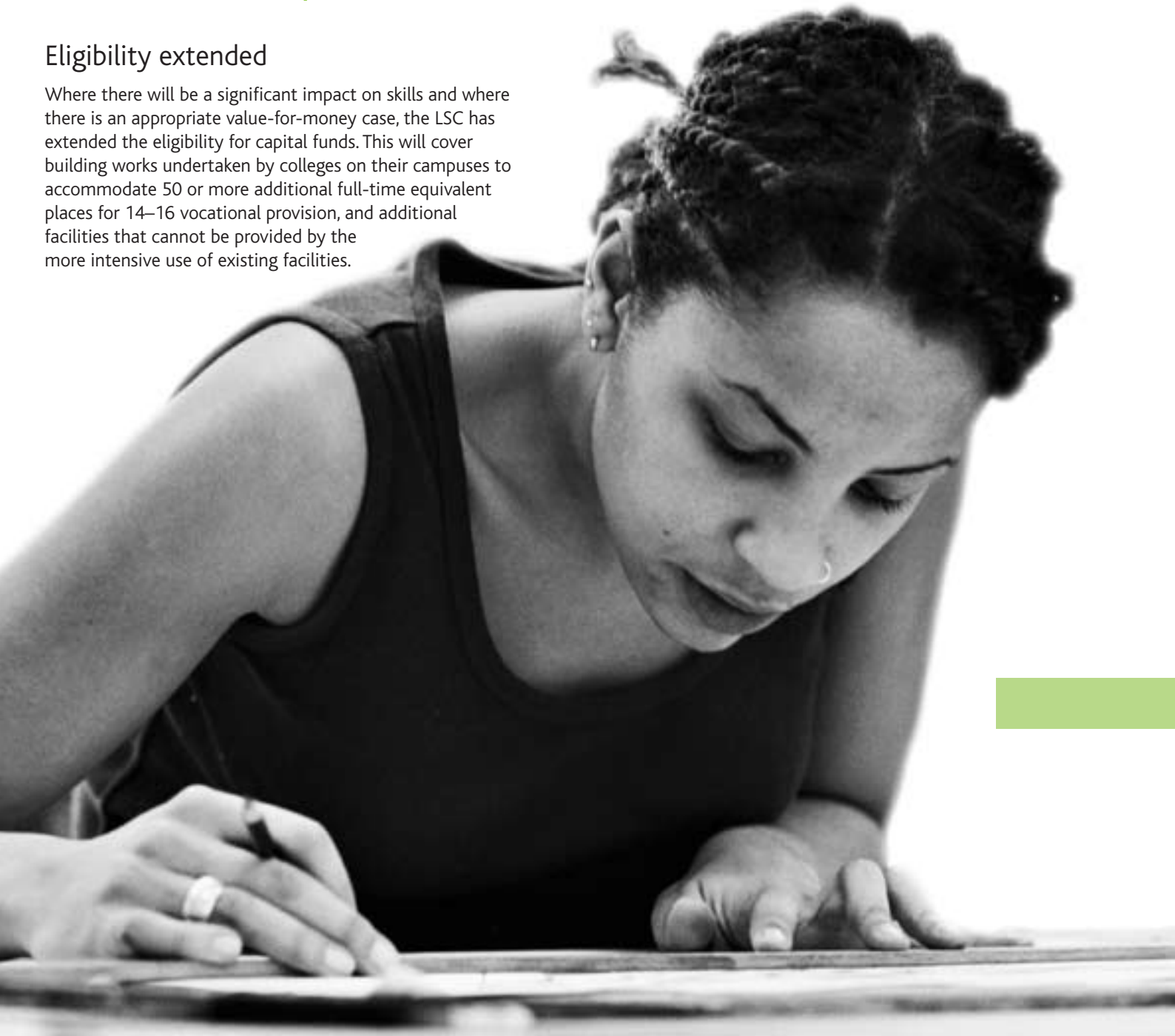
Applications to the fund were invited in December 2005 and it became operational from 1 April 2006. In the nine months to 31 January 2008, 18 16–19 capital fund projects had been approved – at an estimated total cost of £80.2 million (with LSC grant support of £74.2 million). In addition, some £230 million of projects are currently in the pipeline.

Existing FE 16–19 and 14–16 places

The latest individualised learner record analysis indicates that about half of FE provision is for 16- to 19-year-olds, and this will be reflected in colleges' capital proposals to renew and modernise their estates, which will continue to be funded from the LSC's FE capital line.

Eligibility extended

Where there will be a significant impact on skills and where there is an appropriate value-for-money case, the LSC has extended the eligibility for capital funds. This will cover building works undertaken by colleges on their campuses to accommodate 50 or more additional full-time equivalent places for 14–16 vocational provision, and additional facilities that cannot be provided by the more intensive use of existing facilities.



AN EMPHASIS ON SPECIALISATION AND INNOVATION

- **A new FE specialisation and innovation fund will support the Skills Strategy.**
- **The LSC will invest in high-quality specialist networks to support the roll-out of national skills academies in each major sector of the economy.**
- **The LSC will invest in specialist vocational facilities that really meet employers' needs, supporting the roll-out of the New Standard.**
- **In line with the Sainsbury Review recommendations, the LSC will use the national skills academy programme and the New Standard to drive innovation.**

The LSC is implementing a new programme to build on the success of the centres of vocational excellence (CoVE) programme, and to support the transformation of the provider base in delivering and developing specialist provision through regional and national networks.

The national skills academies are leading this transformation, building on existing best practice. Specialist networks take many forms but they are shifting from a supply-led to a demand-driven model to help build a coherent, responsive skills supply system in which industry is prepared to invest to drive up future skills demand.

The New Standard for employer responsiveness and vocational excellence became available in June 2007.

It replaces both the CoVE standard and several other regional quality marks, and acts as the gateway for recognising specialist vocational excellence. Priority for capital grants will in future be given to New Standard-accredited providers. They will be better placed to demonstrate their employer responsiveness and build the case for local investment in specialist facilities.

Transition arrangements to the new system are being implemented following consultation with the sector over summer 2007. Although the CoVE programme has met its prime target of establishing a network of 400 CoVEs by 2005–06, and no new CoVEs are being accepted on to the original programme, the LSC is continuing to meet its existing CoVE capital commitments.

The LSC will make capital funds available to support the enhanced specialist provision and skills providers' networks in line with programme requirements.

National skills academies

The FE White Paper confirmed the intention of having at least one national skills academy in each major sector of the economy, with 12 to be established by 2008, and a fourth competitive round now approved.



As part of that programme, the LSC continues to welcome innovative propositions from employers (such as the proposed Dyson School of Design Innovation or the Fashion Retail Academy, which opened in 2006).

National skills academies will act as national CoVEs, developing and delivering the leading-edge skills requirements of each industry sector as set out by the employers investing in the academy and using its products and services.

Working alongside the sector skills councils, specialist providers, schools, higher education institutions and FE institutions, national skills academies will be characterised by:

- setting world-class benchmarks for the delivery of employer responsive skills in a given sector;
- bringing vocational excellence to life through first-class teaching in industry-standard learning environments;
- being centres of innovation and creativity in skills delivery and development, directly engaging employers in the teaching process and reflecting international best practice;
- building specialist networks of learning providers, including CoVEs, and energising them in such a way that new thinking, new methods and higher standards are disseminated rapidly to the benefit of providers, learners and employers; and
- creating new joint public/private partnerships between FE and the private sector, and attracting high levels of sponsorship in exchange for industry-led governance of each national skills academy.

The size and nature of national skills academies will vary, and this will have an impact on the capital requirements of each proposal. Not all national skills academies will require substantial capital funding but in some cases the LSC believes that the establishment of an academy may require an initial capital cost of up to £10 million. This will be split between employers, the host institution (usually an FE college), and the LSC (which will normally contribute up to 35–50 per cent of capital funds).

Revenue funding to meet the cost of provision for students will be under existing FE funding arrangements.

Specialist networks are shifting from a **supply-led** to a **demand-driven** model

Supporting specialisation

Over the three-year period to 2010–11, the LSC proposes to allocate £60 million each year to support the capital development of the national skills academies and the specialist networks they will lead.

These funds, together with further substantial LSC investment in the New Standard and the outgoing CoVE programme, will enable providers to build the specialist facilities required to deliver high-quality provision that is responsive to employer and learner needs. They will also help the strongest provider networks build their capability in responsiveness and vocational excellence to the point where they are able to drive innovative business development solutions through technology and knowledge transfer.

Accreditation against the New Standard will not automatically result in a capital grant, but will become an explicit eligibility criterion. Capital funds will be reserved for more significant projects, particularly those helping to drive wider skills priorities.

Providers will be able to build the **specialist facilities required to deliver responsive, high-quality provision**



The new criteria will encourage capital applications that:

- support the specialist networks growing up around the more progressive national skills academies;
- give employers a role in developing or appraising proposals from providers to develop specialist skills infrastructure in their sectors;
- help to build provider capability in responsiveness and vocational excellence through specialist networks;
- enable specialist providers and specialist networks to deliver innovative business development solutions through technology and knowledge transfer, in line with the recommendations of *The Race to the Top: A Review of Government's Science and Innovation Policies* (the Sainsbury Review, October 2007);
- integrate specialisation and specialist facilities within larger projects to rebuild and modernise the FE estate, to ensure that this investment delivers employer-responsive vocational excellence;
- help to regenerate deprived communities through the imaginative use of specialist vocational facilities and expertise; and
- bring forward innovative pilot projects for reducing re-offending, for example by investing in specialist skills infrastructure for offenders in the community or for released prisoners.

The LSC is keen to encourage sustainable, future-focused capital applications for meeting the ongoing skills needs of learners and employers in an increasingly competitive global market.

To match the scale of the ambitions of Lord Leitch's report, it is essential that specialist FE facilities are cutting-edge and state-of-the-art, and that the FE estate is modernised accordingly. To that end, capital grant allocations will reflect the degree to which applications meet the above criteria, and are expected to range from 50 per cent matched funding to 100 per cent grant allocation where significant skills impacts can be confidently predicted and are supported by an appropriate value-for-money case.

Specialisation is not limited to specialist providers or designated specialist colleges. Any provider can specialise, including the largest general FE colleges. Specialisation is about a provider playing to its strengths by continually investing effort in those areas of provision where it is able to demonstrate sustained vocational excellence and market advantage.

Specialisation is about
a provider playing to its strengths

FURTHER EDUCATION CAPITAL

- Accelerated renewal and/or modernisation of the FE estate is well under way.
- Renewal or modernisation is complete or under way in 56 per cent of the FE estate.
- The size of the FE estate will fall from 7.3 million square metres to 6.6 million square metres.
- Project throughput needs to double over the next three years.
- Some parts of the renewed estate need to be upgraded to meet requirements for sustainability.



Progress to date

The LSC estimates that around 44 per cent of the FE estate is awaiting renewal. If this 44 per cent were renewed with modern, more flexible buildings – and if due account was taken of more modern teaching and learning methods (such as information and learning technology (ILT)-led open learning) – the overall size of the FE estate would drop to approximately 6.6 million square metres. This compares with nearly 9 million square metres at incorporation in 1993.

This includes additional capacity for new sixth form colleges and centres, but it assumes that continual improvements in the effectiveness of teaching and learning will continue to reduce on trend. This will offset the increases in learner numbers and will mean that the level of total guided learning hours stabilises (these have fallen in recent years – due in part to colleges moving to open ILT-led learning).



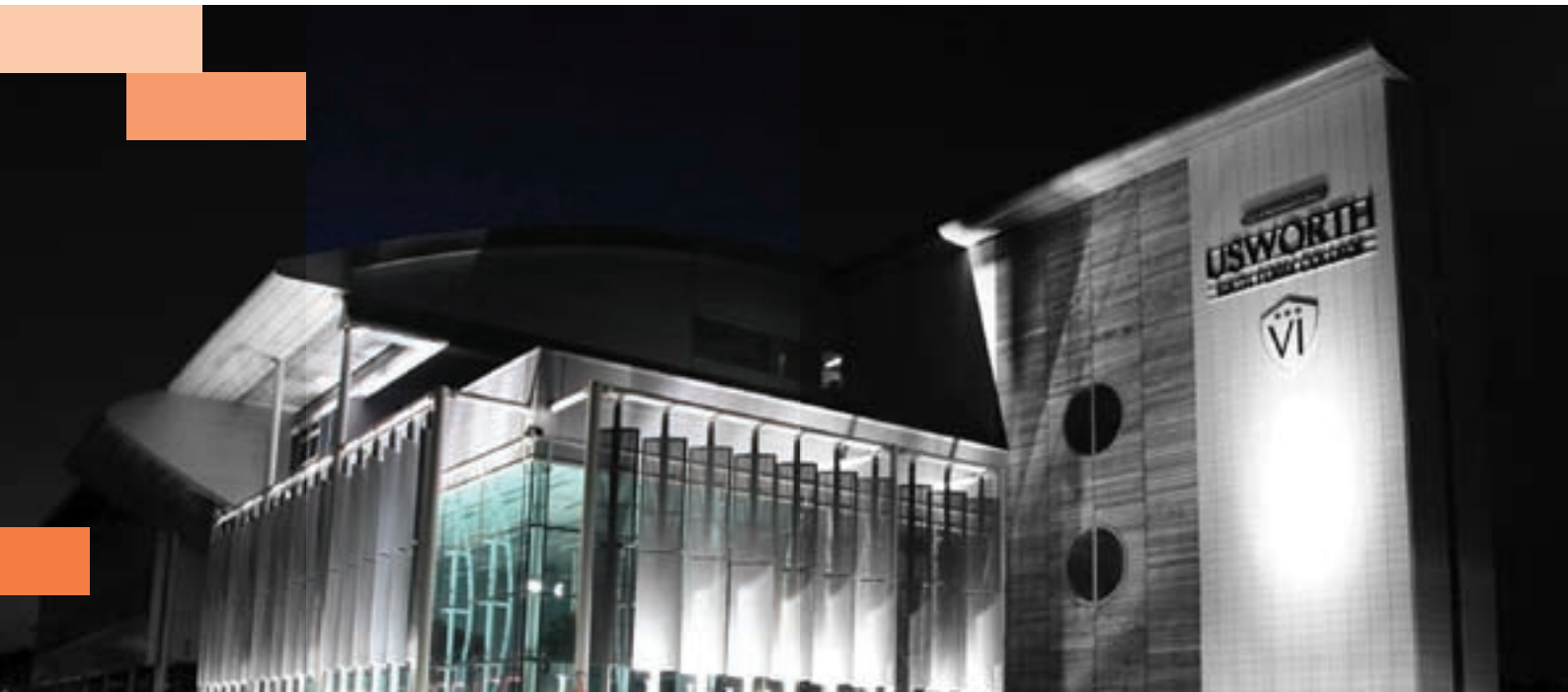
About £600 million of college development is now being completed annually – equivalent at current prices to about 330,000 square metres (or about 4.5 per cent of the current stock of about 7.3 million square metres).

From the eMandate (the FE estates management data collection exercise) data returns it can be estimated that about 3 million square metres of the estate had been renewed by 2005/06 and has a good fitness-for-purpose. The extent of estate renewal annually is about 4.9 per cent of the total building stock of 7.3 million square metres (or just under 5 per cent of the final building stock of 6.6 million square metres).

An analysis of actual and predicted progress in modernising and renewing the FE estate for the seven-year period 2003–09 is presented in Table 1.

Table 1: FE college estate – key data for 2003 to 2009

	2003	2004	2005	2006	2007	2008	2009
DDA-compliant (%)	90	91	92	93	94	95	96
Fit-for-purpose (000 m ²)	2,450	2,725	3,000	3,330	3,660	3,990	4,320
as % of estate	32.2	36.2	40.3	45.2	50.2	55.3	60.5
as % of final m ²	37.1	41.3	45.5	50.5	55.5	60.5	65.5
As new (%)	32	36	40	44	48	52	56
New and sustainable (%)	0	0	0	0	1	5	10
Size of FE estate (000 m ²)	7,604	7,527	7,450	7,373	7,296	7,219	7,142



The future size of the FE estate

The new priorities of the Government and the LSC arising principally from the 2006 FE White Paper and Lord Leitch's report (such as 16–18, 14–16 and the new skills sector Diplomas) mostly target on-site daytime learner activity and growth.

Some aspects of Train to Gain will also be delivered on college premises. This is likely to involve an increase in the final size of the college estate of about 10 per cent. In other words, the final size of the college estate is now more likely to be 6.6 million square metres rather than the 6 million square metres previously estimated.

Floor space savings associated with the projects completed annually are about 20–35 per cent of the new buildings. The estate is therefore shrinking at between 54,000 and 100,000 square metres a year as it falls from 7,450,000 square metres in 2005 to 6,600,000 square metres in 2016 (the average rate required to meet the objective works out at 77,000 square metres a year).

Reductions in the size of the estate depend crucially on the numbers of larger projects (£10+ million costs) completed in each academic year, as large projects drive estate rationalisation.

An analysis of the predicted rate of modernising and renewing the FE estate for the seven-year period 2010–16 is presented in Table 2.

In 2005, the LSC's first National Capital Strategy predicted the completion of the renewal and modernisation of the FE estate (since incorporation) by 2013. The additional requirements of the new priorities discussed above – together with the need for re-investment from earlier years – are likely to add up to a further two years to this programme at the predicted levels of funding.

One hundred per cent renewal is, however, only a theoretical target, as changing programme and curriculum requirements will require new investment in otherwise 'fit-for-purpose' buildings. Once the estate reaches the 90 per cent level, the ongoing investment requirement should switch to an investment pattern tied to a renewal cycle aimed at renewing a fixed percentage of the estate each year.

Table 2: FE college estate – key data forecast for 2010 to 2016

	2010	2011	2012	2013	2014	2015	2016
DDA-compliant (%)	96	96	96	96	96	96	96
Fit-for-purpose (000 m ²)	4,650	4,980	5,310	5,640	5,970	6,300	6,603
as % of estate	65.8	71.3	76.8	82.5	88.4	94.3	100
as % of final m ²	70.5	75.5	80.5	85.5	90.5	95.5	100
As new (%)	60	65	70	75	80	90	100
New and sustainable (%)	20	30	40	50	60	80	100
Size of FE estate (000 m ²)	7,065	6,988	6,911	6,834	6,757	6,680	6,603

OTHER LSC CAPITAL PROGRAMMES

- The PCDL challenge fund and the neighbourhood learning in deprived communities (NLDC) fund will continue.
- SENDA/DDA requirements will be met from existing budgets.
- There will be new allocations for provider-based ILT.
- Targeted funding to address emerging priorities will be introduced.
- Priority for LLDD in mainstream FE and specialist colleges will be given to those providers addressing regional priorities.

PCDL and NLDC

The LSC will continue to operate its PCDL challenge fund (formerly the adult and community learning challenge fund) for local authority and other PCDL providers.

The next round of applications for projects to be implemented in the period 2008–10 will take place in 2008. Already, 92 local authorities and other providers have benefited from the first four rounds of the fund.

The LSC will also continue the NLDC capital scheme, to help local voluntary and community sector organisations individually or in partnership to deliver learning opportunities and support activities for people living in disadvantaged neighbourhoods.

FE and PCDL compliance with SENDA/DDA regulations

Dedicated capital funds for these purposes came to an end in 2006–07 and remaining capital commitments were transferred across to the main FE capital budget from 2007–08 (compliance targets should have been met by September 2005).

Demand for funds for discrete SENDA/DDA projects has been subsumed into mainstream capital projects. Funding continues to be available for SENDA/DDA projects, but they will continue to be considered against the LSC's capital projects criteria (in which they are given priority) and grant support will be determined on an affordability basis as for other capital project proposals.

Providers will be asked to confirm their estimates of current and projected SENDA/DDA compliance through the eMandate programme.

Provider-ILT

It is estimated that the current FE and 16–19 new-build programmes have been providing annual ILT network and equipment funding of around £100 million.

SENDA/DDA projects will continue to be considered against the LSC's capital projects criteria

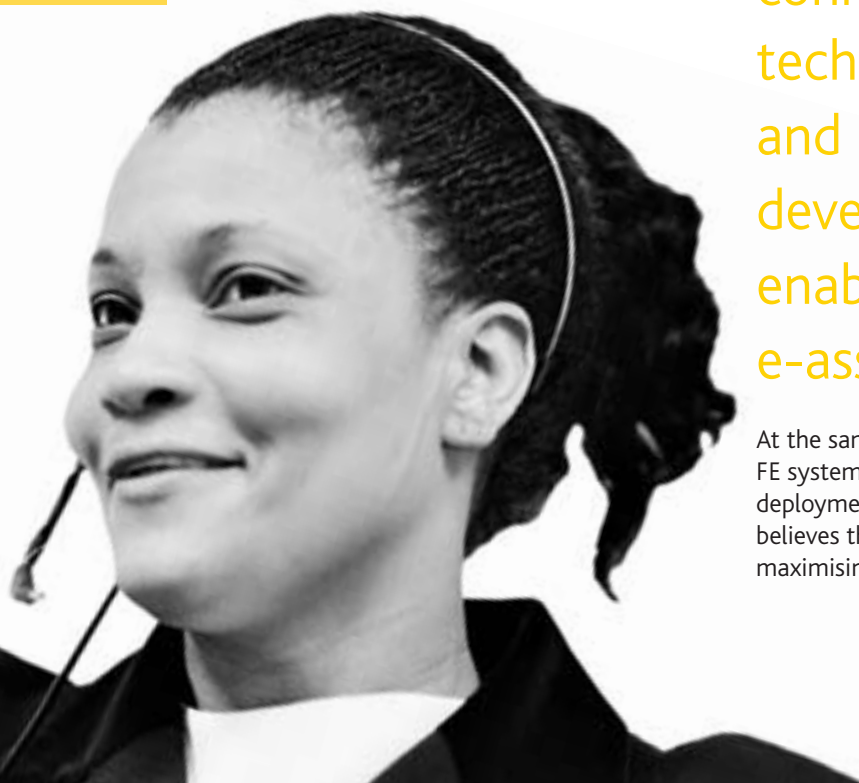
In addition to this, the LSC will continue to provide dedicated funding with the aim of ensuring that:

- all FE colleges will have access to the Superjanet 5 network through a 10 mg broadband connection;
- all specialist colleges (with more than 10-LSC-funded learners) will have access to the Superjanet 5 network through a 2 mg connection;
- all adult and community learning-funded providers will have access to the Superjanet 5 network through a 2 mg connection;
- 950 hours of online learning materials will be freely available to all LSC-funded providers; and
- all LSC-funded providers (staff and management) will have access to a national programme of staff development to embed the use of ILT in their provision.

Future capital investment in ILT will prioritise those providers that have not previously received the same level of support as FE colleges to further develop their infrastructure – particularly adult and community learning, work-based learning and offender learning.

In addition, the LSC will look at ways of encouraging data to be shared more effectively across institutions, how institutional networks might be set up to connect with learners' personal technology (such as MP3), and how it might support the development of systems to enable the potential benefits of e-assessment to be realised.

At the same time, the LSC will also be targeting investment in the FE system workforce to encourage more effective practice in the deployment and application of technology and e-learning. The LSC believes that these human factors are now increasingly important in maximising the benefits of the investment in technology.



Provision for learners with learning difficulties and/or disabilities

In March 2004, the LSC's National Council endorsed the need for a strategic review of its funding and planning of provision for learners with learning difficulties and/or disabilities. A steering group, chaired by Peter Little OBE, oversaw the review (which reported formally in autumn 2005).

Three of the key recommendations in the report, *Through Inclusion to Excellence*, were as follows.

- In its Statement of Priorities, the LSC should give greater prominence and clarity to provision for learners with learning difficulties and/or disabilities being a priority.
- The LSC should develop a national strategy for the regional or local delivery, through collaboration with partners, of provision for learners with learning difficulties and/or disabilities across the post-16 education and skills sector that is high-quality, learner-centred and cost-effective.
- The LSC should commit to a policy of 'investment for change' to achieve systemic transformation and increased supply of high-quality, local provision for learners with learning difficulties and/or disabilities

In October 2006, the LSC published its strategy for learners with learning difficulties and/or disabilities, *Learning for Living and Work*, which takes forward the recommendations of *Through Inclusion to Excellence*. The LSC capital programme will continue to support *Learning for Living and Work* through the prioritisation of capital grant support for providers in the context of the priorities identified in regional capital plans to assist in the development of regional and local provision for learners with learning difficulties and/or disabilities.



Partnership, targeted and formula-based allocations

The increase in capital budgets and possible volume constraints on project throughput may result in the release from time to time of funds for supplementary capital programmes.

There may also be sufficient headroom (10 per cent of annual capital budget) to enable, for example, formula-based allocations aimed at key groups of providers and supporting specific policy initiatives.

For learner-based activities, relatively simple allocation mechanisms could be used.

- Key learner and provider groups could be targeted for specific purposes (for example Diploma delivery) in regionally held and administered pots.
- Budget sums could be allocated to qualifying providers pro rata to learner activity measure (for example full-time equivalents or guided learning hours) or for smaller projects against a list of costed works.
- Funds could be paid monthly in single or multiple instalments.
- Criteria for application of funds could include general or specific capital purposes.
- Providers could demonstrate that funds have been used for the purposes provided – for example as evidenced in the year-end accounts.
- There could be an expectation that funds will be spent by a specific date (between four and six months hence) to avoid funding in advance of need.
- There could be a follow-up evaluation of spend in a sample of recipients for reassurance as to value for money.

Equally, project-based partnership funding could be made available for regions to co-invest alongside, for example, HEFCE and regional development agencies – in skills-based community projects or similar.

The LSC will review potential formula-based allocations and the establishment of targeted regional capital pots and partnership funds. Recommendations will be brought forward through the usual approval routes.



EXTENDING CAPITAL ELIGIBILITY

- Capital eligibility will be extended to voluntary sector work-based learning and other providers in 2008.
- Allocations will be made on a regional basis.
- There will be a pilot scheme for project-based eligibility, with assets to be held in trust.



To date, capital funds have been available mainly for FE colleges to support their FE provision – but following further external research and consultation, the LSC will announce arrangements for new categories of eligible providers.

The principal recipients of any extension in capital eligibility could be voluntary providers in the work-based learning sector or some external FE providers outside the college sector.

Recent research for the LSC from PricewaterhouseCoopers indicates that work-based learning providers are seeking the most support for capital equipment and teaching materials in support of improving the quality of the delivery of learning and only a relatively small minority of support for property-based development.





Next steps

The LSC will announce arrangements for extending capital eligibility to other groups of providers by summer 2008.

The LSC may initially offer formula-based allocations pro rata to LSC-funded learner activity for providers to spend on premises and equipment enhancement, learning materials and learner-related IT equipment and facilities.

Funding for 'minor works' projects related to premises and equipment enhancement outside the scope of formula-based allocations is also being considered and it is likely that this will be administered on a regional basis.

The LSC will establish a cross-sector working group to consider and make recommendations for project-based capital applications. Possible conditions of grant support to be considered will include specific requirements for property assets developed with public funds to be held in not-for-profit vehicles such as charitable trusts.

During 2008–09 the LSC will also review the current eligibility arrangements for FE and PDCL capital funds.

PROGRAMME EVALUATION AND RESEARCH

- There are positive correlations between the incidence of capital activity and college performance.
- An ongoing capital evaluation framework will be established.

In 2003–04, the LSC launched an ongoing programme to evaluate the impact of capital investment (supported by extensive survey work and analysis – initially by PwC, and latterly by Frontier Economics). The aim of this programme has been to identify the relationship, if any, between capital investment and the quantitative and qualitative improvements in colleges' and learners' performance.

Results to date

Both firms of consultants identified correlations between capital investment and improvements in college performance. Frontier Economics has been appointed to establish a framework for the long-term evaluation of the impact of capital investment in FE. Research continues into this subject.

Frontier Economics' latest report (published in 2007) found that:


- colleges that have received capital expenditure of at least £3.2 million between 1999 and 2000 and between 2003 and 2004 have increased participation in absolute terms to a greater extent than colleges that have not received any capital expenditure;
- above a threshold level of between £5 million and £7 million, colleges with capital expenditure have also experienced a greater increase in the proportion of individuals participating compared with colleges that have not received any capital expenditure (below this threshold level the effect of capital expenditure on percentage increases in participation is negative);
- the regression shows that every £1 million of capital expenditure increases the proportionate increase in participation by 0.97 per cent above a threshold of £5.1 million; and
- the regression shows that every £1 million of capital expenditure increases the proportionate increase in participation by 1.15 per cent above a threshold of £7 million.

Next steps

Research into capital evaluation will continue, with the results published annually.

Frontier Economics has been appointed to implement the recommendations to extend the period of project review (as more projects are completed and those already completed offer evidence from a further year's operation), and to follow the long-term progress of selected providers that have implemented significant capital investment projects.





ENHANCING CLIENT CAPABILITIES AND SUSTAINABILITY IN FURTHER EDUCATION

New initiatives

- Enhanced client capability programme.
- Value for money studies with the National Audit Office (NAO).
- Interactive design guide.
- New cost standards to encourage enhanced sustainability.
- FE BREEAM.
- Sustainability pilots.

The relative capacity of individual colleges to initiate and manage capital projects is a key programme delivery issue. Most college management staff have limited or no experience of initiating and managing major capital schemes, and almost all would have to enhance their senior management team to deal with such a challenge. With this in mind, a formal Client Capability Enhancement Programme is being implemented during 2007–08 and 2008–09.



Client Capability Enhancement Programme

The Client Capability Enhancement Programme will draw on activities already under way and new activities to be implemented during 2008–09.

It has already:

- produced design guidance, and made it operational in an interactive web-based form;
- run a second joint Royal Institute of British Architects/LSC design competition – with the winners due to be announced during April 2008;
- continued the eMandate estates data benchmarking programme for FE;
- established (during 2007–08) sector-wide frameworks for consultancy procurement – to be followed by similar frameworks for contracting;
- set up an ongoing programme of property strategy seminars to college principals and governing bodies (in consultation with LSC regional and area/partnership teams); and
- agreed to commission a good practice guide on capital project management in FE – in conjunction with the National Audit Office (NAO) (complementing the NAO's value-for-money study programme).

Sustainability

FE has an important role to play in taking sustainable development action forward. In September 2005, the LSC launched its sustainable development strategy *From Here to Sustainability*, which followed extensive consultation with partners and stakeholders across the learning and skills sector.

The strategy looks at what the learning and skills sector and the LSC itself can do to promote and embed sustainable development skills, and to manage their resources in ways that encourage sustainability. It takes a long-term view, recognising that the process of cultural change will require sustained effort over several years.

Over the next 10 years, the LSC's vision is that the learning and skills sector will proactively commit and contribute to sustainable development through its management of resources, the learning opportunities it delivers and its engagement with communities.

The LSC believes that:

- the culture of the sector will change so that all providers and learners will know about sustainable development and expect it to be part of normal practice;
- strategies, policies and plans will be in place to integrate and implement sustainable development, and these will be understood and acted on;
- the LSC will integrate sustainable development into its policies and everyday practices at all levels;
- risks and barriers preventing sustainable development will be anticipated and managed;
- continuous improvement in the sustainable development performance of the sector will be reported and recognised; and
- good practice in learning, management and community interaction will be recognised, understood and monitored.



To qualify for LSC capital funds, all future capital project proposals must properly address sustainable development.

- Proposals should meet (and preferably exceed) the requirements of part L of the Building Regulations.
- Proposals should ensure as far as possible that the completed development will achieve an excellent BREEAM rating.
- Proposals should aim to reduce carbon emissions in line with the Government's own target of at least 26 per cent by 2020, as set out in the Climate Change Bill.

Proposals will be expected to maximise the use of natural lighting and ventilation and, among other things, encourage the use of wind and solar power for lighting and heating, and rainwater capture to reduce water usage. We will also expect colleges to share with partner schools and the local community their experiences of being a sustainable exemplar, so that others can learn about sustainable development.

A task force has been established to advise us on how our ambitions for reducing the system's carbon footprint can be strengthened – in particular on how all new college buildings can be zero carbon by 2016. The task force is due to feed back its findings and recommendations in summer 2008.

This has all been primarily intended to encourage sustainability in new capital project proposals, but improved sustainability in the existing estate is also very important. As part of the LSC's sustainable development action plan, the organisation will extend the availability of capital funds to enhance the sustainability of the existing estate – through the establishment of energy efficiency grants and sustainable development grants.

The LSC will also fund pilot demonstration projects to promote innovation and cutting-edge technology in the field of sustainable development, and is developing its interactive design guide to be a source of best practice in this area.

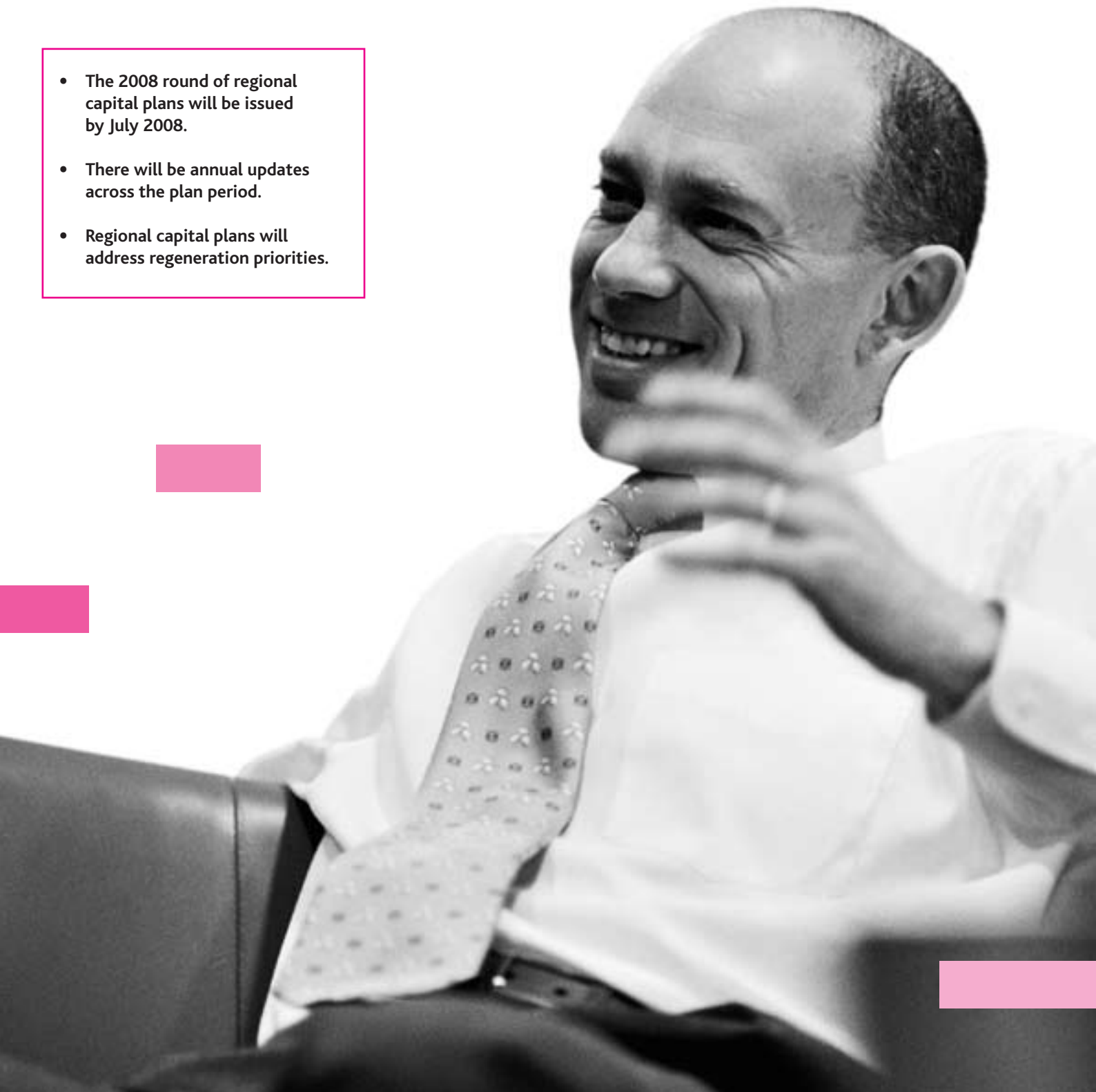
To support these aims, an ongoing programme of activity will take place between 2008 and 2009. The LSC is developing a sustainable development action plan and actions already implemented or due to take place during 2008–09 are indicated in Table 3.

Table 3: Sustainable development actions for 2008 to 2009

Category	Actions
Setting clear standards and targets for sustainable development in the FE system	Establish realistic FE programme targets related to sustainable development and reducing carbon footprint for FE – review being undertaken and jointly sponsored by Arup. Review completed and targets to be published by summer 2008.
Introducing FE BREEAM and promoting 'sustainable design guidance'	To embed BREEAM principles and practice in FE capital development – bespoke BREEAM for FE already published.
Embedding sustainability in FE system construction cost targets	LSC has replaced the existing cost model with a new system consisting of separate cost models that relate to new-build and refurbishment projects that incorporate the costs necessary to achieve the relevant BREEAM standard.
Targeting improved sustainability in the existing estate	
General	Linked to development of interactive design guide – establishment of 'sustainability enhancement section' to promote good practice and increased sustainability.
Energy efficiency grants	'Low-level' grant scheme based on Salix (Carbon Trust) existing energy efficiency schemes – announced December 2007 – over £20 million of applications received by March 2008.
Sustainable development grants	Medium-level project-based schemes addressing energy consumption and associated emissions of carbon dioxide, reducing the release of pollutants; minimising the use of natural and conserving/enhancing biodiversity – for implementation during 2008–09.
Funding 'pilot demonstration' projects	Similar approach to 'sustainable development grants', but linked to innovation and cutting-edge technology – possibly with a partner (for example a higher education institution or the Sustainable Development Commission).
Disseminating 'sustainability case studies' and the outcomes of other studies and reports	Developing an existing web-based interactive design guide to be a source and conduit of best practice.

REGIONAL CAPITAL PLANS

- The 2008 round of regional capital plans will be issued by July 2008.
- There will be annual updates across the plan period.
- Regional capital plans will address regeneration priorities.



The LSC will complete the second round of regional capital plans for each of its nine regions by July 2008, and will look to update these plans annually over the plan period.

Regional capital plans are intended to:

- identify strategic priorities for investment on a regional and sub-regional basis identified by strategic area reviews and other ongoing review outcomes;
- assess capital demand through a broad assessment of educational needs across the local LSC planning areas in each region;
- assess the scale and quality of the existing FE estate in each region;
- assess the ability of the LSC and its partners to meet demand;
- be supplemented and reinforced by specific capital plans for sub-regions and areas as and where needed in response to local priorities;
- relate national to regional and local priorities to provide a strategic context for capital investment decisions;
- provide a basis for consultation with key stakeholders and other partners such as the regional development agencies to help ensure that investment funds can be targeted at joint priorities;
- enable the LSC to prioritise investment decisions by using data such as the Government's indices of deprivation to help prioritise investment, for example when the demand for funds may exceed supply; and
- be predicated on a three-year rolling basis, and updated annually.

Regional capital plans are usually supported by local area capital plans (prepared by area and partnership teams) that:

- identify local priorities for capital investment in the context of area inspection and other regional, sub-regional and local area review outcomes;
- assess the scale and quality of the existing post-FE and 16–19 estate in each local LSC;
- provide a basis for consultation with local LSCs' key stakeholders and other partners such as education and training providers, local authorities and urban regeneration companies;
- will be completed in the same timescale as regional capital plans;
- enable local LSCs to prioritise capital investment proposals; and
- are prepared on a three-year rolling basis, and updated annually.

The LSC's nine regions continuously gather information and consult with partners and stakeholders on capital priorities, so that:

- strategic objectives and goals can be kept up to date and responsive to change through effective management and organisation of the relevant information and educational requirements underpinning the process;
- the knowledge base will help inform, and facilitate collaboration with, local and regional strategic partners on determining key demands for capital investment and identifying opportunities to meet this demand; and
- a detailed information bank will reflect geographical diversity of demand, serve regional and local management requirements and support achievement of consistency in the local and regional agenda.

At both regional and local plan level, the three key steps will be as follows.

- To identify both the priorities and demand for capital development and improvement.
- To outline the LSC's and its partners' capacity to meet that demand.
- To develop regional and local criteria, alongside national policies and priorities and the current project assessment processes, to help indicate the extent to which capital proposals will address key regional and local priorities for regeneration agreed on by the LSC and its key partners and stakeholders.

The regional strategies and local plans will, therefore, address capacity to satisfy identified demand and the extent to which:

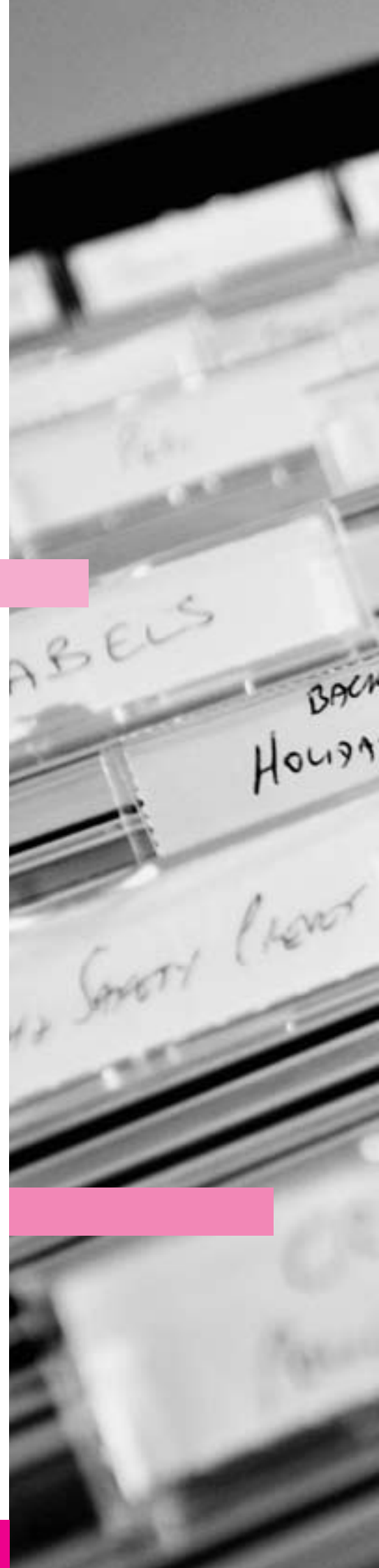
- appropriate and deliverable plans are or will be in place to maximise the benefits of capital investment;
- individual providers' organisational and funding capacity is sufficient to deliver capital solutions; and
- potential capital projects will meet agreed regeneration criteria.

Stretching criteria

The LSC already assesses capital project proposals against stringent threshold project criteria that address affordability, viability (investment appraisals), value for money (procurement and financing) and – most importantly – the educational case for supporting the proposal.

Further tests relate to comparative costs and floor space utilisation (as a proxy for running costs efficiencies). Regional capital plans and local LSC capital plans will also reflect regional and local priorities and, for example, will use tools such as the Government's indices of deprivation to help assess programme and project priorities.

Weighted assessments will be introduced at national, regional and local assessment levels if and when it becomes necessary to prioritise capital applications that already meet or exceed the threshold criteria.





INTERVIEW PACKS

FIRST AID

GUIDELINES - ORGS

JOB CORRECTION

ALL STAFF
REQUEST FORM

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© LSC March 2008
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This publication is available in electronic form on the Learning and Skills Council website:
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Publication reference: LSC-P-NAT-080051



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