Annex A

DRAFT FOR NATIONAL COUNCIL

Learning and Skills Council

Building for Skills – the National Capital Strategy for the Learning and Skills Council - 2007-08 to 2010-11

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1 INTRODUCTION AND POLICY CONTEXT

1.1 Growing evaluation evidence confirms the impact and importance of capital investment in supporting learning to give young people and adults the skills, attitudes and qualifications they need to prepare for productive, rewarding high value employment in an internationally competitive, modern economy.

1.2 The Learning and Skills Council (LSC) is implementing a major programme of capital investment. This programme will further accelerate the modernisation and renewal of the further education (FE) estate, provide new places in colleges for 14-19 learners and adults, new places in leading schools for 16-19 yr olds, and assist other post-16 providers to increase their levels of capital investment. Over the four year period to 2010-11 the LSC expects to invest over £2 billion in capital projects and promote £4-5 billion of development by colleges, schools and other providers. If the annual level of capital funding currently projected to 2010-11 continues into future years the modernisation and renewal of the FE estate would be substantially complete by 2014-15.

1.3 The LSC strongly believes that all learners should experience teaching and learning in modern, fit for purpose, learning environments appropriate to the learning paths they are following. The LSC has a duty to help ensure that learning opportunities are maximised through the investment of capital funds, in order to raise the participation, retention and attainment of young people.

1.4 The FE White Paper, Further Education: Raising Skills, Improving Life Chances, published in March 2006 set out a comprehensive programme to transform the FE system into an efficient and effective powerhouse for economic prosperity and social mobility. Capital investment is, therefore, a vital part of implementing the key reform principles and outcomes set out in the FE White Paper to develop a further education system that is focused on equipping people with the skills needed for employment and in which institutions are more specialised.

1.5 Lord Leitch’s report, Prosperity for All in the Global Economy - World Class Skills (the Leitch Report), published in December 2006 sets out his view of what needs to be done to ensure the UK has a world-class skills base by 2020. Leitch offers a vision for a UK with world class skills, where higher skills levels are driving higher productivity, economic success and social mobility.

1.6 Capital investment is a vital part of implementing the key reform principles and outcomes set out in the FE White Paper and the Leitch Report. The LSC will target its funds to promote these developments.
1.7 The LSC believes that its capital strategy as described in these pages will achieve its strategic priorities:

- **Priority 1** – Raise the quality and improve the choice of learning opportunities for all young people to equip them with the skills for employment, further or higher learning, and for wider social and community engagement.

- **Priority 2** — Raise the skills of the nation, giving employers and individuals the skills they need to improve productivity, employability and social cohesion.

- **Priority 3** – Raise the performance of a world class system that is responsive, provides choice and is valued and recognised for excellence.

- **Priority 4** – Raise our contribution to economic development locally and regionally through partnership working.

1.8 The primary role of the LSC in this context, therefore, is to invest capital funds to support Government priorities and objectives for 14-19 and adult learners. But capital investment in schools and colleges also contributes to the achievement of wider Government objectives and often acts as a catalyst for regeneration and encourages others to invest in that community. The LSC believes that its strategic priorities for investment in educational premises and equipment reflect the range of challenges set out in both the FE White Paper and the Leitch report.

1.9 A principal action will be increasing the rate of renewal and modernisation of the FE estate. The capital programme will also contribute to the outcomes of other important initiatives such as the FE Review, Agenda for Change and the Framework for Excellence.

1.10 The substantial increase in project volumes and changes outlined in this document may require changes to the LSC as an organisation, in order to deliver an enlarged capital programme. The following changes are likely during 2007-08:

- 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;

- delegation to the proposed Regional Councils, possibly via dedicated regional capital committees, to approve the majority of capital project applications;

- changes in due course to management lines for regional property resources – moving to regional line management and functional/professional management from the National Office; and

- enhanced policy development and programme management capability combined with increased major projects’ management resource at
National Office. This would better support those regional and area teams dealing with very large projects requiring specialist input and better address infrastructure policy issues and a programme to enhance colleges’ client capabilities.

1.11 The LSC recognises that supporting and developing the FE sector will continue to be a priority for its capital funds. It also recognises, however, that there is an increasingly important role for capital investment in helping to stimulate the market and to support new as well as existing providers.

2 EXECUTIVE SUMMARY

2.1 In responding to the FE White Paper and the priorities identified in the Leitch report, the LSC will use its capital programme to support the achievement of the following objectives:

- drive the expansion and reorganisation of provision, when and where appropriate, to secure capacity for high quality Diploma programmes;
- secure the right organisational solution in each local area;
- ensure that qualifying 14-19 capital projects in the FE sector are appropriately funded and promote collaboration between providers and partners to deliver the 14-19 curriculum;
- prioritise the capital support necessary to enable high performing FE and Sixth Forms to expand their provision, to fund the outcomes of 16-19 Competitions, and to support new policies as they are introduced, such as extending compulsory participation in education or training to 18;
- support vocationally excellent providers, Skills Academies and re-accredited Centres of Vocational Excellence, in particular;
- provision of specialist equipment to help refocus providers’ missions, attract employer engagement and accelerate the rate of specialisation in support of the delivery of the new Diplomas;
- encourage new providers (including training providers) to secure substantial, new high quality provision by extending eligibility, as appropriate, for capital funds, and holding 16-19 Competitions;
- ensure that its regional capital strategies reflect regional and local plans to improve choice, quality and diversity and that those strategies in turn drive the approval criteria for individual capital proposals;
- support innovation in sustainable design and construction; and
- support colleges in improving their expert client capabilities in the processes for developing and procuring new premises and facilities.

2.3 Underpinning The Framework for Excellence which aims to spread success and eliminate failure across the post-16 sector, the LSC will continue
to promote an enhanced rebuilding and modernisation programme to provide world-leading facilities vital for the delivery of the 14-19 entitlement and high quality training which meets the needs of employers and individuals.

3 CAPITAL FUNDING

- Capital funds increase by £100 million in 2008-09 over 2007-08 baseline
- Capital funds increase by £250 million in 2009-10 and 2010-11 over 2007-08 baseline
- 16-19 Capital Fund and other programmes continue with increased funding
- LSC able to fund other capital priorities

Funding Position

3.1 The pending outcome of CSR2007 for capital funding for the period 2008-09 to 2010-11 has been partly pre-empted by announcements in Budget 2005 and the Pre-Budget Report 2006. Against the 2007-08 baseline (excluding ICT funds) of just under £500 million, year on year additional cash increases announced to date for provider capital funding are as follows:

- 2007-08 - baseline
- 2008-09 – baseline +£100 million
- 2009-10 – baseline + £250 million
- 2010-11 – baseline + £250 million

3.2 These funds include the continuation of resources for investing in the FE estate and the 16-19 Capital Fund as well as other priorities: addressing adult skills, PCDL and the extension of capital eligibility to work based learning providers. The implications of this additional funding are as follows:

- the additional funds are already making a material impact on the rate of renewal and modernisation of the FE estate and this will need to be accelerated further;
- although there is a continuing need to maximise spend on priority areas (16-19 and skills) there will be opportunities to offer capital funds more widely both in terms of the categories of providers and targeted activities;
- based on estimates of projected activity, if the LSC continues to pay capital grants at the average approval rate of circa 50% it should be possible to balance the demand for funding against supply through this period; and
- the expansion of capital funds for the period to 2010-11 will enable the LSC to both expand its existing programme elements and introduce new elements.
During 2006-07 the value of capital projects agreed by the LSC reached its maximum to date – £1.91 billion of which £690 million was for projects agreed in detail for immediate implementation, £133 million for 16-19 Capital Fund projects and £1.087 billion for projects agreed in principle to be worked up to the detailed stage. To meet the increase in budget capital over the annual rate of project expenditure should exceed £1 billion from 2008-09 onwards.

The pattern of capital projects is rapidly changing towards fewer but much larger projects. As indicated at annex 1 to this document, the focus on strategic investment encouraged by Strategic Area Reviews and the Regional Capital strategy process (and of course the availability of capital funds) has contributed to more than trebling the number of projects approved on a detailed basis.

The increase in average project size is from £6.7 million in 2004-5 to £11.2 million in 2006-07, although the number of these projects reduced from 93 to 62. The number of projects approved on an in principle basis increased from 7 to 33 over the same period, 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. Between 2004-05 and 2006-07 the average rate of grant support for in principle projects has risen from 37% to 55%. For detailed applications the increase is from 29% to 41%.

The high proportion of school capital applications to the 16-19 Capital Fund (from which schools are usually funded at up to 100% of costs), is reflected in the 88% grant support rate for such projects in 2006-07.

Affordability and Value for Money

All applications from providers to the LSC for capital grant support towards the costs of their projects will continue to be assessed against stringent project criteria addressing the educational justification for the proposal; short, medium and long term affordability; financial appraisal outcomes and value for money. The LSC will continue to use an affordability assessment of applications in order to determine the level of grant support. The reason for this is so that each college receives the appropriate level of grant support to enable the college to proceed with its capital project.

In considering the affordability of projects to particular providers and the amount of grant support it might provide the LSC will take due account of, amongst other matters:

- providers’ financial status
- their future operations in a demand-led funding environment;
- the prospects for future growth in revenue funding;
• the potential operational risks in project implementation; and
• the continuing operation of new premises and facilities.

3.9 The LSC is developing a new financial assessment model to help better evaluate the wider benefits of project proposals prior to project approval and will roll out a revised project appraisal methodology towards the end of 2007-08.

4 14-19

| LSC capital funds to support 14-19 reform agenda |
| 16-19 Capital Fund to support increased project activity |
| 16-19 Capital Fund to give priority to Sixth Form and FE presumptions and 16-19 Competition outcomes |
| LSC to fund 14-19 FE component of BSF proposals |
| 14-16 places included in FE capital project proposals |

Introduction

4.1 Successful delivery of the 14-19 reform agenda is dependant upon collaboration between providers, the LSC and its partners, particularly local authorities which have the strategic lead for provision for 14-19 year olds. The LSC’s response to the 14-19 agenda and the FE White Paper is to:

• drive the expansion and reorganisation of provision, when and where appropriate to secure capacity for high quality Diploma programmes in a demand-led environment;
• secure the right organisational solution in each local area through appropriate collaborative arrangements for 14-19 year olds;
• ensure that qualifying 14-19 capital projects in the FE sector are appropriately funded;
• prioritise the capital support necessary to enable high performing FE and 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.

4.2 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' (BSF) visions to cover all settings in which young people aged 14-19 will learn - including FE colleges. As funding flows through the Local Education Partnership to implement the BSF vision, the LSC is directing its capital resources to implement in full the FE component of the vision. This means that for the first time, there will be an increasingly integrated capital strategy which will deliver for 14-19 year olds across schools and the FE system thus facilitating a truly collaborative approach to the 14-19 reform agenda.
4.3 The 16-19 Capital Fund will continue to fund new 16-19 places not already included in BSF and Academies programmes in both schools and FE colleges. The renewal and modernisation of existing college places and the accommodation of 14-16 provision in college will be funded from the LSC’s general FE/Skills Academies funding line. The LSC currently has no responsibility or funding for schools capital beyond those projects qualifying for the 16-19 Capital Fund.

New Places - 16-19 Capital Fund

4.4 The publication of the DfES 5-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 or 11-19 Academies.

4.5 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 new 16-19 places annually. The 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 (normally at least 50 full time places) arising from:

- increased participation, in particular, when identified through the LSC StAR process;
- area wide reorganisation in response to either StARs or OfSTED Area Inspection outcomes to raise standards and/or promote choice;
- proposals from high performing 11-16 schools to add post-16 provision that are eligible for ‘presumption’ status; or proposals from leading FE and sixth form colleges to increase post-16 provision that are eligible for ‘presumption’ status;
- 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 underway); held to determine how demand should be met.

4.6 The 16-19 Capital Fund will prioritise proposals from colleges and schools eligible under ‘presumption’ status; and the outcomes of 16-19 Competitions.

4.7 The capital costs of sixth forms in 11-19 Academies, the modernisation needs of sixth forms in schools, sixth forms in schools in the Building Schools for the Future programme and the modernisation of FE colleges continue to be met from existing non-LSC sources.

4.8 Applications to the fund were invited in December 2005 and it became
operational from 1 April 2006. As at 31 March 2007, 28 16-19 capital projects had been approved at an estimated total cost of £128.7 million with LSC grant support of £116.2m. In addition, some £200 million of projects are currently in the pipeline.

Existing FE 16-19 and 14-16 Places

4.9 The latest ILR analysis indicates that 60% of FE provision is for 16-19 and this will be reflected in colleges’ capital proposals to renew and modernise their estates which will continue to be funded from LSC’s FE/Skills Academy Capital Line.

4.10 From 2006-07 the LSC has extended the eligibility for capital funds to building works undertaken by colleges on their campuses to accommodate normally 50 or more additional full time equivalent (FTE) places for 14-16 vocational provision to provide additional facilities where it can be demonstrated that such provision cannot be provided by the more intensive use of existing facilities.

5 SUPPORTING VOCATIONAL SKILLS NETWORKS

- Support for the Skills Strategy through FE capital development
- The establishment of a high quality, responsive and flexible vocational network of Skills Academies to support the national roll out of National Skills Academies in each major sector
- To support the delivery of workforce development solutions to employers through the roll out of the New Standards
- Extending Capital Eligibility to Other Categories of Providers and Off site Collaborative Training

Specialisation

5.1 The LSC is implementing a programme to build on the success of Centres of Vocational Excellence (CoVEs) 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 the means for this transformation to take place and they will build on existing best practice, shift from a supply led to a demand driven model and build a coherent, responsive skills supply system that industry is prepared to invest in to drive up future skills demand.

5.2 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 onto the original programme the LSC will continue to meet its existing CoVE capital commitments. The New Standard for employer responsiveness and vocational excellence will replace both the CoVE standard and several other regional quality marks, acting as the gateway for recognising specialist
providers. The New Standard is available from June 2007 and providers gaining accreditation will be better placed to access the bidding process for capital funding. Priority for capital grants will in future be given to New Standard accredited providers. Transition arrangements to the new system will be implemented during 2007/08, following consultation with the sector over summer 2007.

5.3 The LSC will make capital funds available to support the enhanced specialist provision and skills providers' networks. £20 million is indicatively allocated for 2007-08 rising to £30 million in 2008-09 and £40 million in each of 2009-11 and 2010-11 although these sums will be regularly reviewed in line with programme requirements

National Skills Academies

5.4 The FE White Paper confirmed the intention, as resources allow, of having at least one National Skills Academy (NSA) in each major sector of the economy with 12 NSAs previously announced to be established by 2008. As part of that programme, the LSC continues to welcome innovative propositions from employers, such as, for example, the proposed Dyson School of Design Innovation in Bath or the Fashion Retail Academy in central London which opened in 2006.

5.5 Skills Academies will act as national centres of vocational excellence, 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 and specialist providers networking with schools, higher education and further education, NSAs, in particular, will be characterised by:

- new industry led curricula;
- innovative teaching and learning models directly engaging employers in the teaching process and reflecting international best practice;
- governance by new joint public/private partnerships between FE and the private sector; and
- high levels of sponsorship in exchange for industry led governance of each Skills Academy.

5.6 The size and nature of Skills Academies will vary and this will impact on the capital requirements of each proposal. Not all 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 normally be split between the employer, the host institution (normally an FE college), and the LSC which will normally contribute up to 35-50% of capital funds and the balance will be picked up by the employer and a partner institution, as appropriate. Revenue funding to meet the cost of provision for students will be under normal FE funding.
arrangements.

Equipment to Support the Diplomas

5.7 The LSC recognises that other providers working with Skills Academies, New Standard accredited providers and CoVEs in the skills networks may also need capital funds to help provide their learners with access to modern, up to date equipment capable of replicating actual working environments. Three new initiatives will help support these aims:

- a joint DfES/LSC pilot fund of £48 million for 2006-07 to be spent on support for capital projects (equipment and minor building works) selected from consortia that are successful in the 14-19 Gateway process; and
- a detailed consultation to be undertaken by the LSC during 2007-08 to identify equipment and other facilities needed to better support the new Diplomas and skills delivery through off site collaborative provision; and
- the possible extension of capital eligibility to other categories of providers (see chapter 8 below)

6 FE CAPITAL

Introduction

- Accelerated renewal and/or modernisation of the FE estate well underway
- 56% of FE estate has been renewed or modernised
- Size of FE estate to fall from 7.3 million m$^2$ to 6.6 million m$^2$
- Project throughput needs to double over the next three years
- Need to upgrade some parts of the renewed estate to meet requirements for sustainability

6.1 The recipient of the majority of the LSC’s funds over the period to 2010-11 will be the FE sector. This comprises principally the 388 mainstream, mostly incorporated colleges to which the bulk of capital funding will be directed. But it also comprises another 150 or so external FE providers including approximately circa 60 specialist colleges providing places for learners with learning difficulties and/or disabilities (LLDDs) and 45 higher education institutions (HEIs) providing FE.

6.2 Mainstream FE colleges will be responsible for the bulk of capital expenditure and will, therefore, attract the majority of LSC grant support. A principal overarching objective of the LSC’s capital programme is the renewal and modernisation of the FE estate in support of the achievement of the LSC’s overall strategic priorities.
The Story So Far

6.3 The LSC estimates that circa 56% of final projected size of the FE estate has either been renewed or modernised since incorporation in 1993. The remaining 44% awaits renewal. The current size of the FE college estate is about 7.5 million m². If the remainder were renewed with modern, more flexible buildings and due account taken of more modern teaching and learning methods (such as ILT-led open learning) the overall requirement would drop to approximately 6.6 million m². This compares to nearly 9 million m² at incorporation in 1993. This includes additional capacity for new sixth form colleges and centres. But that figure assumes that continual improvements in the effectiveness of teaching and learning will continue to reduce on trend, so as to offset the increases in learner numbers and to produce a stabilisation in the level of total guided learning hours which have fallen in recent years due in part to colleges moving to open ICT-led learning.

6.4 Since incorporation in 1993, there have been four eras of estate renewal, each linked to the culture of the time, to the volume of available reconstruction funds, and to the changing education and training needs of colleges. These different eras have been:


This period was distinguished by the objective of rapidly recovering a dilapidated estate. Scarce capital funds were targeted through the results of the 1993 Hunter Survey, towards ensuring health and safety of staff and students by dealing rapidly with known or discoverable risks and removing or reducing these risks by immediate and considered action.


The major objectives during this period were the downsizing of the estate, ensuring value for money and improving fitness for purpose. Funds for that programme generally came from college bank borrowings, land sales and college reserves and the FEFC provided targeted revenue support. In these circumstances, colleges without substantial reserves or the prospect of large receipts from asset sales were limited to the modest refurbishment of existing buildings. Although there was some new build, whole college relocations to new purpose built campuses was almost unknown.


The major emerging objective during this period was a greater emphasis on further improving fitness for purpose to meet changing priorities, aiming for “as-new” buildings rather than compromising standards through modernising unsuitable existing buildings and improving building design quality. These objectives together with an increasing LSC capital budget led towards a greater emphasis on rebuilding rather than refurbishment. Buildings previously considered as just about fit for purpose were reclassified as suitable for
demolition. LSC grant support remained at a rate of 35% of eligible project costs for most schemes.

d. The Current LSC Era (2004- onward)

Increasing capital grant support from the LSC has helped colleges address wider policy objectives and LSC regional teams prioritise potential projects against the LSC’s national, regional and local objectives. The priority given to major objectives in reconstructing colleges shifted again, with a greater emphasis upon the following:

- serving commercial and business needs;
- improving sustainability through “designing-in” green features for all new building proposals; and
- the availability of sufficient additional LSC capital funds for these purposes to achieve the agreed project purposes.

6.5 These later objectives did not remove or replace earlier priorities, but generally added a new or re-emphasised requirement to the pre-existing policy mix. The need for downsizing the estate changed into appropriately sizing the estate, particularly where downsizing and new buildings had led to considerable growth in learners. The objective of value for money became more related to the building specification, and the objective of fitness for purpose has been a continuous requirement common throughout various shifts in educational policy. For these purposes there are four criteria against which building quality can be assessed. These are:

- legal compliance, generally now reduced to the percentage of the floorspace of the estate which is compliant with the DDA and SENDA regulations;
- fitness for purpose which is generally defined as the percentage of buildings which are good enough for the delivery of education and training;
- “a new” condition or constructed within the last five years or in the case of listed buildings, refurbished to make them “as good as new”; and
- “as new” increasingly sustainable buildings with an appropriate level of green features, or the inclusion of all those green features which make economic sense, perhaps controlled by a Building Information Management System.

Progress to date

6.6 About £600 million of college development is now being completed annually, equivalent at current prices of about 330,000 m² or about 4.5% of the current stock of about 7.45 million m². From the eMandate data returns it can be estimated that about 3 million m² of the estate had been renewed by 2005/06 and has a good fitness for purpose, the extent of estate renewal is about 4.9% of the total building stock of 7.45 million m² or just under 5% of the final building stock of 6.6 million m².
6.7 An analysis of actual and predicted progress in modernising and renewing the FE estate for the seven year period 2003-06 is indicated below:

Table 2
FE college estate - key data 2003-2009

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
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<tr>
<td>DDA Compliant (%)</td>
<td>90</td>
<td>91</td>
<td>92</td>
<td>93</td>
<td>94</td>
<td>95</td>
<td>96</td>
</tr>
<tr>
<td>Fit for purpose 000 m²</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>as % of estate</td>
<td>32.2%</td>
<td>36.2%</td>
<td>40.3%</td>
<td>45.2%</td>
<td>50.2%</td>
<td>55.3%</td>
<td>60.5%</td>
</tr>
<tr>
<td>as % of final m²</td>
<td>37.1%</td>
<td>41.3%</td>
<td>45.5%</td>
<td>50.5%</td>
<td>55.5%</td>
<td>60.5%</td>
<td>65.5%</td>
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<tr>
<td>As new estimated (%)</td>
<td></td>
<td></td>
<td></td>
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<td>New and sustainable (%)</td>
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<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Size of FE estate m²</td>
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<td>7,527</td>
<td>7,450</td>
<td>7,373</td>
<td>7,296</td>
<td>7,219</td>
<td>7,142</td>
</tr>
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</table>

Future Size of the FE Estate

6.8 The new priorities of the government and the LSC arising principally from the 2006 FE White Paper and the Leitch Report (16-18, 14-16, the new skills sector diplomas, etc) 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%. In other words the final size of the college estate is now more likely to be circa 6.6 million m² rather than the 6 million m² or so previously estimated.

6.9 Floorspace savings associated with the projects completed annually are about 20-35% of the new buildings. The estate is therefore shrinking at about 54,000 m² to 100,000 m² a year as it falls from 7,450,000 m² in 2005 to 6,600,000 m² in 2016 (the average rate required to meet the objective works out at 77,000 m² a year). Reductions in the size of the estate depend crucially upon the numbers of larger projects (£10+ million costs) completed in each academic year, as large projects drive estate rationalisation.

6.10 An analysis of the predicted rate of modernising and renewing the FE estate for the seven year period 2010-16 is indicated below in Table 3 below:

Table 3
FE college estate - key data forecast 2010-2016

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<td>DDA Compliant (%)</td>
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<td>96</td>
<td>96</td>
<td>96</td>
<td>96</td>
<td>96</td>
<td>96</td>
</tr>
<tr>
<td>Fit for purpose 000 m²</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>as % of estate</td>
<td>65.8%</td>
<td>71.3%</td>
<td>76.8%</td>
<td>82.5%</td>
<td>88.4%</td>
<td>94.3%</td>
<td>100.0%</td>
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<tr>
<td>as % of final m²</td>
<td>70.5%</td>
<td>75.5%</td>
<td>80.5%</td>
<td>85.5%</td>
<td>90.5%</td>
<td>95.5%</td>
<td>100.0%</td>
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<tr>
<td>As new (%)</td>
<td>60</td>
<td>65</td>
<td>70</td>
<td>75</td>
<td>80</td>
<td>90</td>
<td>100</td>
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<tr>
<td>New and sustainable (%)</td>
<td>20</td>
<td>30</td>
<td>40</td>
<td>50</td>
<td>60</td>
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<td>Size of FE estate m²</td>
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<td>6,988</td>
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<td>6,834</td>
<td>6,757</td>
<td>6,680</td>
<td>6,603</td>
</tr>
</tbody>
</table>
6.11 The 2005 Capital Strategy predicted the completion of the renewal and modernisation of the FE estate (since incorporation) by circa 2013. The additional requirements of the new priorities discussed in paragraph 6.8 above together with the need for re-investment from earlier years are likely to add a further two years to this programme at the predicted levels of funding. 100% 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% 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.

7 OTHER LSC CAPITAL PRIORITIES

- PDCL Challenge Fund and NLDC Fund will continue
- SENDA/DDA requirements met from existing budgets
- New allocations for Provider-based ILT
- Introduction of formula based allocations to address emerging priorities
- Priority for LLDD in mainstream FE and specialist colleges addressing regional priorities
- LSC to establish a standing group to review potential formula-based allocations and the establishment of time-limited partnership funds.

7.1 The LSC will continue to operate its Personal Community Development Learning (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 2007. 92 local authorities and other providers have benefited from the first four rounds of the fund. The LSC will also continue the Neighbourhood Learning Development in Deprived Communities 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.


7.2 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 appear to have been subsumed by these works being addressed (or non-complying premises being replaced) as part of 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 determined on an affordability basis.
as per other capital project proposals

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

Provider-ILT

7.4 It is estimated that the current FE and 16-19 new build programmes have been providing ILT network and equipment funding of circa £100 million per annum. In addition to this the LSC will continue to provide dedicated funding with the aims by 2007-08 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 ACL funded providers will have access to the Superjanet 5 network through a 2 mg Connection;
- 950 hours of on-line 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 ICT in their provision.

7.5 Future capital investment in ILT will prioritise those providers which have not historically 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.

7.6 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 (MP3 etc), and how it might support the development of systems to enable the potential benefits of e-assessment to be realised.

7.7 But at the same time the LSC will also be targeting investment in the FE sector 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

7.8 In March 2004, the 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.

7.9 Three of the key recommendations in the report, *Through Inclusion to Excellence*, were as follows:
• The LSC in its ‘Annual Statement of Priorities’, 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/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.

7.10 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 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 strategies to enable the development of regional/local provision for learners with learning difficulties and/or disabilities.

**Partnership and Formula-Based Allocations**

7.11 The increase in capital budgets and possible volume constraints on project throughput may enable the release from time to time of funds for supplementary capital programmes supporting, as now for example the CoVE programme. There may also be sufficient headroom (10% 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. For example:

• target key learner and provider groups for specific purposes e.g. Diploma delivery;
• budget sum allocated to qualifying providers pro rata to learner activity measure (eg FTEs, guided learning hours etc);
• paid in monthly payments run in single or multiple instalments;
• criteria for application of funds – general or specific capital purposes
• providers to provide evidence that funds used for the purposes provided – for example evidenced in year end accounts;
• expectation that funds will be spent by a specific date circa 4-6 months hence to avoid funding in advance of need; and
• follow-up evaluation of spend in a sample of recipients for reassurance as to value for money.
7.12 Similarly project-based Partnership funding could be made available for regions to co-invest alongside, for example, HEFCE and regional development agencies (RDAs) in, for example, skills-based community projects.

7.13. The LSC will establish a standing group to review potential formula-based allocations and the establishment of time-limited partnership funds and bring forward recommendations through the usual approval routes.

8 EXTENDING CAPITAL ELIGIBILITY

- Extending eligibility to WBL and other providers in 2007
- Formula based allocations to WBL
- Working group to consider project-based eligibility

Introduction

8.1 To date, capital funds have been available mainly to FE colleges and higher education colleges to support their FE provision - but following further external research and consultation the LSC will consider arrangements for possible new categories of eligible providers later this year.

8.2 The principal recipients of any extension in capital eligibility could be providers in the work-based learning sector or some external FE providers outside the college sector. Research from PricewaterhouseCoopers indicates the majority of WBL providers are seeking support for capital equipment and teaching materials and only a minority for property-based development.

Next Steps

8.3 Further work will be undertaken to obtain a better understanding of the extent to which extending eligibility could raise quality. The possibility of allocating funds on a formula basis related to learner activity will also be considered under the arrangements described in paragraph 7.11 above. A representative group will be invited to advise the LSC on the extension of current capital project support arrangements with a view to making recommendations for implementation during the 2007/08 academic year. These arrangements will have due regard to the different conditions that may apply to “for profit” and “not for profit” providers and the safeguards and security that would be provided for public investment in the assets that would be created.

9 PROGRAMME EVALUATION AND RESEARCH

- Positive correlations between incidence of capital activity and college performance
- Ongoing capital evaluation framework to be established
Background

9.1 The LSC launched an ongoing programme to evaluate the impact of capital investment in 2003-04. 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

9.2 Both firms of consultants have 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. Their latest work (2007 Report) has found that:

- colleges that have received capital expenditure of at least £3.2 million between 1999-00 and 2003-04 have increased participation in absolute terms by more 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 to 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% 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% above a threshold of £7 million.

Next Steps

9.3 Research into capital evaluation will continue with the Resources Group and Strategy and Communications Group acting as joint clients. Frontier Economics further recommendations as to, firstly, extending the period of project review (as more projects are completed and those already completed offer evidence from a further years operation), and, secondly, following the long term progress of selected providers that have implemented significant capital investment projects, will be implemented.
10 ENHANCING CLIENT CAPABILITIES AND SUSTAINABILITY IN FE

- Enhanced client capability programme
- VFM studies with NAO
- Interactive Design Guide
- 10% extra sustainability cost allowance
- FE BREEAM
- Sustainability pilots

Introduction

10.1 The relative capabilities of individual colleges to initiate and manage capital projects are a key programme delivery issue. Most college management 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” will be implemented during 2007-08.

Client Capability Enhancement Programme

10.2 The Client Capability Enhancement Programme will draw on activities already underway and new activities for implementation during 2007-08. Amongst the actions already initiated and planned are the following:

- design guidance to be produced in interactive web-based form already commissioned for delivery by July 2007;
- second joint RIBA/LSC design competition;
- continuation of “eMandate” estates data benchmarking programme for FE;
- establishment during 2007 of sector-wide frameworks for consultancy procurement to be followed by similar frameworks for contracting;
- ongoing programme of property strategy seminars to college Principals and Governing bodies in consultation with LSC regional and area/partnership teams;
- commissioning of good practice guides on both project management and estate management in FE possibly in conjunction with the National Audit Office as part of their value for money study programme; and
- ongoing programme of in house seminars for LSC staff engaged in provider property related activities so that they will be better able to assist colleges and assess their capital proposals;
Sustainability

10.3 FE has an important role to play in taking sustainable development (SD) action forward. In September 2005, the LSC launched the SD 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 SD skills, and 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.

10.4 Over the next 10 years, the LSC’s vision is that the learning and skills sector will proactively commit and contribute to SD through its management of resources, the learning opportunities it delivers and its engagement with communities. In particular, the LSC believes that:

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

10.5 To qualify for LSC capital funds it is a requirement of all future capital project proposals that they properly address sustainable development and, in particular:

- meet and, preferably exceed the requirements of part L of the Building Regulations;
- ensure the completed development will aspire to achieve an excellent Building Research Establishment Environmental Assessment Method (BREEAM) rating;
- maximise the use of natural lighting and ventilation by, amongst other actions, the use of wind and solar heating in power generation for lighting and heating and rainwater capture to reduce water usage; and
- embed the principles of sustainability in the design of buildings and building systems;

10.6 To support these aims an ongoing programme of activity/actions will take place over the plan period. Those taking place during 2007-08 include the following:

- colleges seeking capital grant support will continue to have the
opportunity to apply for an additional cost allowance of up to 10% of the net cost for elements within the building, which address sustainability issues. A college can qualify for this additional allowance by demonstrating how the proposed design exceeds the new requirements of part L of the current Building Regulations and addresses further sustainable issues outside the remit of the building regulations;

- commissioning of design guidance to be produced in interactive web-based form already commissioned for delivery by July 2007;
- commissioning of the Building Research Establishment to design a bespoke BREEAM assessment template and criteria for the FE sector;
- commissioning and funding sustainability demonstration pilots for key areas of sustainable developments from colleges intending to implement project proposals which introduce innovative and comprehensive sustainability solutions; and
- establishing policy and standards for reducing the carbon footprint of FE colleges

11 REGIONAL CAPITAL STRATEGIES

| • 2007 round of regional capital strategies for issue by July 2007 |
| • Annual updates across plan period |

Introduction

11.1 The LSC will complete the second round of Regional Capital Strategies for each of its 9 regions by July 2007 and will look to update these strategies annually over the plan period.

11.2 Regional Capital Strategies are intended to:

- identify strategic priorities for investment on a regional and sub-regional basis identified by Strategic Area Review (StAR) 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 the region
- assess the ability of the LSC and its partners to meet demand
- be supplemented and reinforced by capital plans for each of the 47 local LSCs
- 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 (RDAs) to help ensure that investment funds can be targeted at joint priorities
• enable the LSC to prioritise investment decisions when the demand for funds may exceed supply
• be predicated on a 3-year rolling basis updated annually.

11.3 Regional Capital Strategies are usually supported by local capital plans prepared by area and partnership teams that:

- identify local priorities for capital investment in the context of StAR, Area Inspection and other 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 LSC’s key stakeholders and other partners such as education and training providers, local authorities, urban regeneration companies;
- will be completed in the same timescale as regional capital strategies;
- enable local LSCs to prioritise capital investment proposals; and
- prepared on a 3-year rolling basis updated annually

11.4 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.

11.5 At both regional strategy and local plan level the three key steps will be:

• identification of demand for capital development and improvement;
• outlining LSC and partners’ capacity to meet that demand; and
• developing regional and local criteria alongside national policies and priorities and the current project assessment processes

11.6 The regional strategies and local plans will also address capabilities 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; and

• that individual providers’ organisational and funding capacity in place to deliver capital solutions.

11.7 The LSC already assesses capital project proposals against stringent threshold project criteria that address project affordability, viability (green book tests), value for money (procurement and financing) and most importantly the educational case for supporting the project proposal. Further tests relate to comparative costs and floorspace utilisation (as a proxy for running costs efficiencies). Regional capital strategies and local LSC capital plans will also reflect regional and local priorities.

11.8 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.

Property Services
Final Draft – 5 June 2007