LEARNING AND SKILLS COUNCIL

NATIONAL CAPITAL STRATEGY

SUMMARY

1 This report encloses the proposed 2007 National Capital Strategy for consideration by the Council.

RECOMMENDATION

2 The Council is invited to accept the recommendation of the Capital Committee to agree the Capital Strategy (the capital strategy) and the expenditure priorities it identifies.

BACKGROUND

3 The LSC’s first National Capital Strategy was agreed by the Council in July 2005. This revised version addresses the period 2007-08 to 2010-11 for which substantial additional capital funding has already been confirmed by the Government ahead of the formal announcement of the outcomes of SR2007. It reflects the content of the Capital Prospectus published in February 2007 which already provides a summary of the aims and objectives of the LSC’s capital programme.

4 The Management Group agreed at its meeting on 27 February 2007 that the capital strategy should address in particular:

- the need to double project throughput over the next 3 years to meet the increased budget profiles;
- extending the eligibility for capital funding while protecting the public interest in any assets that might receive LSC grant support;
- the capabilities of individual colleges to initiate and manage capital projects;
- the scope for introducing supplementary capital allocations; and
- the implications of the establishment of the new Regional Councils later in the year and capacity and organizational issues in addressing an enhanced capital programme.

5 A full report on the progress of the Capital programme will be made to the Council at its September meeting reflecting the completion of new buildings over the summer due to be operational; for the autumn term.
KEY ISSUES

5 The Council is invited to consider the scope of the proposed 2007 capital strategy in relation to the points raised at paragraph 4 above and, in particular, the following issues (with relevant page numbers in brackets):

- capital investment in a demand-led environment (general)
- projected increases in capital expenditure in the period 2007-11 (see paragraphs 6-8 below and page 5);
- the extent to which the LSC’s 14-19 objectives and priorities are properly presented (page 7);
- the extent to which the LSC’s skills objectives and priorities are properly presented (page 9);
- the progress of the FE element of the capital programme to date and if a more detailed regional breakdown of progress should be included (page 13);
- proposals for introducing partnership and formula based allocations (see paragraphs 9 - 10 below and page 17);
- proposals for taking forward the extension of capital eligibility ( page 18);
- further suggestions for the list of client capability actions already under way or planned and to note the prospect of NAO interest in a value for money study into aspects of the capital programme (page 20);
- further suggestions as to sustainable development activities already underway or planned (page 21); and
- the extent to which, if any, the capital strategy should further reflect other important initiatives such as the FE Review and Agenda for Change and the Framework for Excellence (general).

CAPITAL BUDGETS

6 An indicative projected budget profile over the period of the capital strategy based on capital funding announced to date and expectations to 2010-11, is indicated below.

Table 1 (provisional figures subject to review)

<table>
<thead>
<tr>
<th>Budget heading/year</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Status</td>
<td>Budget</td>
<td>Indicative</td>
<td>Indicative</td>
<td>Indicative</td>
</tr>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>FE/Skills Academies</td>
<td>248</td>
<td>278</td>
<td>394</td>
<td>394</td>
</tr>
<tr>
<td>16-19 Capital Fund$</td>
<td>230</td>
<td>210</td>
<td>210</td>
<td>210</td>
</tr>
<tr>
<td><strong>Sub-total:</strong> FE and 16-19</td>
<td><strong>478</strong></td>
<td><strong>488</strong></td>
<td><strong>604</strong></td>
<td><strong>604</strong></td>
</tr>
<tr>
<td>WBL$</td>
<td>10</td>
<td>30</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Skills Capital (inc CoVE$ &amp; New Standard)</td>
<td>20</td>
<td>30</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>PCDL$</td>
<td>8</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>NLDC$</td>
<td>8</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>
7 Since 2003-04 the LSC has had a “single line” capital budget from the DfES and the allocation of funds to individual expenditure heads is at its discretion. The pending outcome of SR2007 for capital funding for the period 2008-09 to 2010-11 has been partly pre-empted by announcements in the 2005 and 2007 Budgets. Against the 2007-08 baseline excluding ICT funds for 2005-06 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; and 2010-11 – baseline + £250 million

8 These funds include the continuation of resources for investing in the FE estate and the 16-19 Capital Fund. They are also intended to address other priorities announced in the FE White Paper and the Leitch Report.

FORMULA BASED ALLOCATIONS

9 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 and wider skills programmes including the New Standard. 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 such as extending eligibility. Similarly project-based partnership funding could be made available for regions to co-invest alongside HEFCE and/or regional development agencies in, for example, skills-based community projects. Discussions are also underway with HEFCE with a view to making LSC and HEFCE capital funding more easily accessible for cross sector investment.

10 Indicative allocations of £20 million in 2007-08 rising to £30 million in 2008-09 and £50 million per year in each of 2009-10 and 2010-11 are proposed. These funds may be further supplemented from time to time from other capital budget heads as in 2006-07 when £30 million formula-based allocations were made to FE colleges. A group will be established to review proposals for potential formula-based allocations and the establishment of time-limited partnership funds. National, regional and area/partnership teams will be asked to bring forward proposals that address clear policy objectives and targets, properly evaluate outcomes and can demonstrate value for money. Recommendations will come forward through the usual approval routes.
LEGAL IMPLICATIONS

11 There should be no adverse legal implications for the Council in the implementation of the proposed capital strategy. The Council has the legal power to provide capital funding towards the costs of colleges’ and other providers’ projects.

FINANCIAL IMPLICATIONS

12 No expenditure by the Council is recommended by this report.

13 The implementation of the capital strategy will, of course, have financial implications and these will be considered individually as proposals come forward for approval.

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