

## Capital

### Capital Project Grant Support Transitional and Interim Arrangements 2001/02

#### Summary

This circular confirms the arrangements for colleges applying to the Learning and Skills Council (the Council) for capital grant support in 2001/02. It includes: proposed arrangements for the receipt, assessment and determination of colleges' applications, changes to the criteria against which such applications will be considered in response to the statement 'Colleges for Excellence and Innovation' by the Secretary of State for Education and Employment and proposals for consultation on capital policy arrangements from 2002/03 onwards. It also confirms how the Council will deal with detailed applications from colleges for projects that have already been determined on an in-principle basis by the Further Education Funding Council (FEFC). It also summarises previous announcements on Information Learning Technology (ILT) funding direct to FE colleges in 2001/02

#### Supplement

Revised application and claims forms  
and explanatory notes





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## **Further information**

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# Summary

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# Capital Project Grant Support Transitional and Interim Arrangements 2001/02

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## Introduction

1 This circular confirms interim arrangements for the administration, assessment and determination of applications for consent and capital project support. It also summarises those funds that will flow direct to colleges for ILT expenditure.

## Background

2 The previous arrangements for the receipt, assessment and determination of colleges' applications for capital project grant support were agreed by the FEFC in March 1999 and confirmed in FEFC circular 99/26 – *Capital Project Support Arrangements 1999/02*. From 1999/2000 onwards colleges with qualifying projects could apply for a grant of up to 35% of eligible project costs payable over a three-year period. Colleges could also apply for grants to assist with the costs of improving access and facilities for students with learning difficulties and disabilities and towards the costs of employing consultants to assist with preparing feasibility studies for large rationalisation and Public Private Partnership (PPP) project proposals.

3 The Council is now responsible for the administration of the FE capital programme including the determination of new applications, both on an in-principle and detailed basis, and for the continuation of grant payments to projects previously approved by the FEFC.

4 For 2001/02 transitional arrangements will operate as set out in this circular pending consultation later this year on changes to the current arrangements to reflect, for example, the priorities announced by the Secretary of State for Education and Skills in his statement '*Colleges for Excellence and Innovation*'.

5 The ILT funding arrangements for 2001-02 were published in FEFC circular 99/45 – *ILT Implementation Plan*.

## Transitional Arrangements

### **Applications to FEFC for capital project grant support for projects estimated to cost £1 million or more**

6 The FEFC had previously announced the arrangements for dealing with capital applications for the period to 31 March 2001. The final round of applications to the FEFC was determined under the then chief executive's delegated authority at the capital programme group on 1 February 2001 and at the FEFC Council meeting on 14 February 2001. New applications received prior to 31 March 2001, addressed to the FEFC, were passed to the Council for the completion of the assessment process and determination.

## **Applications to FEFC for projects estimated to cost less than £1 million, disability access grants and fee support for feasibility studies**

7 Colleges were advised that they could continue to submit applications in these categories to the FEFC to be determined under the then current arrangements until 31 January 2001. As for capital project grant support, new applications received prior to 31 March 2001 were passed to the Council for the completion of the assessment process and determination.

## **LSC Capital Arrangements**

### **First year arrangements – capital project grant support**

8 For the year commencing 1 April 2001 the Council has adopted most of the capital project grant support criteria and procedures previously operated by the FEFC. These have, however, been modified to reflect the new and additional priorities announced by the Secretary of State in the statement '*Colleges for Excellence and Innovation*' to which it is expected capital funds will increasingly be directed over the next two years (see paragraphs 15 to 17 below).

9 The arrangements set out in the FEFC circular 99/26 *Capital Project Support Arrangements 1999-01* will continue to apply, therefore, subject to the following additions and amendments:

- a. from 1 April 2001 all applications for capital project grant support, disability access grants and feasibility study funding should be made to the local Learning and Skills Council (local Council) with responsibility for the college making the application. The local Council should receive two copies of each application and

a third copy should be sent to the Council's national Property Services team in Coventry marked for the attention of the Area Property Adviser who in most cases will be the previous FEFC Regional Property Adviser. The revised capital projects application forms (Form A) and other application and claims forms will be found in the supplement to this circular;

- b. applications previously determined on an in-principle basis by the FEFC will be considered against and determined under the previous FEFC capital projects arrangements and, in particular, the criteria as set out at annex C to FEFC circular 99/26 but should be received by the Council by 30 December 2001 if previous budget allocations are to be taken into account. Such applications received after this date will be considered as new proposals and the LSC cannot guarantee any priority for such applications and previous provisional capital budget allocations towards these costs;
- c. applications will continue to be considered in 2001/02 against similar capital projects criteria to those used by the FEFC circular 99/26. The Council has, however, introduced some changes and additions, indicated in italics at annex A to this circular, which address the following points:
  - reinforcing the requirement for colleges to have properly consulted all appropriate and interested parties including other adult and 16-19 learning providers;
  - ensuring that new applications consider and address, as appropriate, the priorities identified in the statement '*Colleges for Excellence and Innovation*'.



*Note: The Council will give priority towards applications that clearly address these priorities (see paragraphs 15–17 below).*

- d. stage three criteria relating to costs and value for money and floorspace criteria will continue to be applied. For 2001/02 FEFC ISR data will be used for the purposes of calculating floorspace utilisation factors. A new floorspace methodology will be developed in 2001/02 using data collected by the Council;
- e. for all new applications including those following previous in-principle determinations the grant of 35% of eligible project costs will usually be regarded as a maximum. Exceptionally additional grant may be available, if justified on affordability grounds, for projects addressing the rationalisation of premises for 16-19 provision and, in particular, the recommendations of area inspections and area reviews. Applications for any particular level of grant support will need to be justified on affordability grounds and a smaller grant may be offered by the LSC if it considers this to be appropriate;
- f. applications for capital grant support will be determined under the schedule of delegations set out below that were agreed by the Council at its meeting on 1 March 2001. All applications will require the endorsement of the local Council;

- g. regardless of the estimated costs of project proposals, fully completed applications (in a form previously discussed and agreed with the Area Property Adviser and other members of the local Council's assessment team) will need to be received in good time. For property related consents not involving grant support, this should be no later than four weeks before the consent is required. Applications requesting grant support should be received two calendar months prior to the appropriate Council cycle. For 2001/02 the appropriate dates are as follows:

Applications to be received by	Council decision likely during
1 July 2001	September 2001
1 September 2001	November 2001
2 January 2002	March 2002

- h. the Council may consider applications for projects costing less than £2.5 million to be approved by the Chief Executive under delegated authority at other times. Such applications should still be received at least two months prior to a decision being required;
- i. colleges should continue until advised otherwise to submit claims for grant payment to the Council's National Property Services team in Coventry in accordance with the arrangements set out in FEFC circular 99/26 and using the claims form B in the attached supplement to this circular.

Project cost	Delegated authority		
	Chief executive	Capital Committee	Council
Up to £2.5 million	✓		
Up to £10 million		✓	
Above £10 million			✓
Consents only	✓		

## **First year arrangements – disability access grants and fee support for feasibility studies**

10 The Council will continue to accept applications for disability access grants to a maximum of £50,000 on a matched expenditure basis against the criteria set out in FEFC circular 99/26. Colleges wishing to undertake such works during the year commencing April 1 2001 should apply to the LSC using form D in the attached supplement to this circular by no later than 30 September 2001. Further applications may be invited later in the year depending on the availability of funds.

11 Colleges likely to seek financial support towards the costs of carrying out feasibility studies for major rationalisation and PPP/PFI project proposals during 2001/02 should inform the Council's Area Property Adviser as soon as possible. Applications for feasibility studies to be carried out in 2001/02 should be made to the Council's Infrastructure and Property Services team in Coventry using form C in the attached supplement to this circular by 30 September 2001. A copy should also go to the local Council at the same time. Funds will be available to a maximum of £100,000 on a matched expenditure basis.

## **First year arrangements for other capital consents and approvals**

12 Applications for property related consents not involving requests for capital grant support should be made to the appropriate local Council using the application form A in the attached supplement to this circular. As for applications for capital grant support, two copies of the application should be sent to the local Council and one copy to the Council's national Property Services team in Coventry.

13 Colleges are reminded of the requirement to seek the consent of the Council under paragraphs 24 and 25 of the Council's

financial memorandum with colleges (see FEFC circular 99/48 and subject to the issue of a revised financial memorandum later this year) for any land or buildings transactions with a gross cost (including fees, related ancillary expenditure and VAT) of more than 5% of the college's annual turnover or £1 million, whichever is the lower.

## **ILT expenditure 2001 to 2002**

14 The proposed expenditure for ILT funding in 2001/02 has been previously published. In summary, the total funds to be paid direct to colleges are:

- a. £2 million for the development of learning materials at a college level;
- b. £3.7 million for Managed Learning Environments software licences;
- c. £16.2 million for IT equipment and Local Area Network infrastructure.

Colleges will not need to apply for these funds. The amount received under each category will reflect college size. £3 million has been reserved to fund the *PCs for FE Teachers initiative*. Details of this scheme, including eligibility, will be published at a later date.

## ***'Colleges for Excellence and Innovation'***

### **Secretary of State's statement**

15 The Secretary of State in the statement *Colleges for Excellence and Innovation* has confirmed that central to the vision of the future of further education is the modernisation of the role colleges will play.

16 Capital resources are being made available in the period 2001/04 towards meeting existing and new commitments of £110 million in each of 2001/02 and 2002/03 including:

- a. £15 million per year for capital expenditure to support local action arising out of area inspections of provision for 16-19 year olds as indicated in the Secretary of State's statement; and other restructuring of 16-19 provision;
- b. £10 million in 2001-02, £20 million for 2002/03 and £30 million in 2003/04 will be made available towards the capital costs of colleges establishing centres of vocational excellence;
- c. £15 million in 2002/03 to support projects to improve access and facilities to students with learning difficulties and disabilities.

17 The Council will meet previous FEFC capital grant payment commitments. In all future new capital applications to the Council, colleges are asked to confirm the extent to which their applications arise from or address the priorities in paragraph 9 above. In the event that capital funds may be over subscribed, applications materially arising from or addressing these priorities may be given preference.

## Changes to capital projects criteria for 2001/02

18 For 2001/02 Council will continue to consider capital applications against the projects criteria set out at annex C to FEFC circular 99/26. These will be subject, however, to the following amendments that reflect: the establishment of the Council; the Secretary of State's statement *Colleges for Excellence and Innovation*; and the Council's statutory requirements to ensure 'proper and reasonable facilities' for further education and work based training.

19 Revised capital projects criteria for projects due to be determined in 2001/02 are included at annex A. The main changes are summarised as follows. Colleges will now also

need to demonstrate in the context of their strategic plans:

- a. how and to what extent the project proposal reflects the new priorities for changes in local provision for 16-19 year old learners, collaboration with other local providers and, where appropriate, the outcomes of area inspections and reviews;
- b. how and to what extent the project proposal will establish or further develop centres of excellence and specialisation within the college and/or in collaboration with other local providers;
- c. that the college has consulted fully on its proposals with local learning partnerships and with other providers.

20 Colleges are reminded of the request to provide a post project review to the Council within 12 months of the practical completion of the project. A revised form of return is provided at form E in the attached supplement to this circular.

## Consultation on arrangements for 2002/03 onwards

21 The Council will formally consult with FE sector colleges and other interested parties during autumn 2001 on further changes to the application process and projects criteria as set out in FEFC circular 99/26 and in this circular. This will reflect recently announced government priorities including those contained in: the Council's remit letter; the statement *Colleges for Excellence and Innovation*; and other matters such as revised cost and space utilisation factors. Following consultation, new arrangements for 2002/03 onwards will be announced in winter 2001.

## Accommodation Strategies

22 Under the financial memorandum that individual colleges have with the Council they are expected to keep their premises under periodic review. The usual three-year rolling requirement that would have meant colleges producing fully revised accommodation strategies by the end of 2000 was deferred pending the confirmation of strategic planning requirements. It can now be confirmed that colleges should provide fully revised and updated accommodation strategies to the Council at the same time as the revised strategic plan submissions due in July 2002. Colleges will be invited to share emerging accommodation strategies in substantive draft form with local Councils in December 2001. The Council will publish updated advice and requirements for the preparation of accommodation strategies in autumn 2001. This will update and revise the advice previously published in the FEFC circular 97/19 *Guidance on Accommodation Strategies* and which can be found on the Council's website.

## Centres for vocational excellence

23 Further details of the Centres of Vocational Excellence initiative have been announced. This was first revealed in the Secretary of State's statement *Colleges for Innovation and Excellence* to the AoC conference, in November 2000 (see paragraphs 15-17 above). The first stage in implementing the initiative was a consultation document sent jointly by the Council and the DfES to colleges; employers; National Training Organisations; Group Training Associations; other private training providers; and other interested parties setting out a framework for Centres of Vocational Excellence; how colleges might establish them and build on existing good practice; and the contribution centres could make in taking colleges to the forefront

of skill development in new and traditional sectors. Concurrently a pilot programme has been established whereby 16 colleges already operating to high standards of quality and innovation in vocational education have been selected as pathfinders. This exercise will firstly, help determine the criteria and approach the Council should adopt to help establish such centres across the sector and, secondly, promote the dissemination of good practice to aspiring colleges.

24 Support from local Councils was a key qualifying criteria to the selection of pathfinders and in due course for all areas of vocational excellence. A prospectus has been issued and application details will be published in September 2001 inviting colleges to apply for capital and recurrent funding to help them achieve and maintain 'Centres of Vocational Excellence' in key vocational curriculum areas. The government's target is that 50% of colleges should be operating at least one such centre by 2003-04 and it has earmarked £100 million of capital and recurrent funding over the next three years to help achieve this aim. Further details of this initiative can be found on the Council's and the DfES's websites.

## Adult and Community Learning Institutions

25 Ministers announced on 30 January this year that the Council would be inaugurating a new capital budget for adult and community learning from 2002/03. Further advice on the detailed arrangements relating to this budget will be published later this year.



John Harwood, Chief Executive

# Annexes

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Annex      Capital projects criteria



# Annex: Capital Projects Criteria

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(Paragraphs with substantive changes from the previous FEFC criteria are indicated in italics)

## Stage 1: Validation Criteria

1 Before making an application to the Learning and Skills Council (the Council) for support, each college will apply the following validation criteria to its own proposals.

### Consistency with strategic plan and accommodation strategy

2 Each college should be able to demonstrate how its proposals assist its overall plan for:

- a. accommodating its learners and activities;
- b. curriculum areas requiring specialist provision;
- c. *the provision of work based learning to employers (if appropriate);*
- d. new provision in both new and existing curriculum areas.

Necessary steps in preparing and reviewing a college accommodation strategy were set out in the supplement to FEFC circular 97/19, *Guidance on Accommodation Strategies*. *Revised guidance will be issued in autumn 2001.*

### Confirmation of college contribution

3 Given the scarcity of capital funds, each college will be expected to contribute as much as it reasonably can to the costs of its projects.

4 In 2001/02, the Council's maximum contribution towards the costs of a project will usually be no more than 35% of the eligible project costs net of any other public sector grant contributions, and calculated as previously confirmed in the FEFC's circular 99/26, but excluding £50,000 on the first £100,000. *Colleges will be expected to demonstrate the need for any particular level of grant support in confirming the affordability of the project.*

5 An appropriate figure should be provisionally confirmed with the finance director of the appropriate local Learning and Skills Council before proposals are finalised. Under the stage 3 criteria (see below), preference will be given to colleges applying for less than the maximum available Council support. *The Council may consider waiving these limits on affordability grounds where warranted by exceptional circumstances (see paragraph 9e of circular 01/06).* Examples of project financing and the calculation of the Council's contribution towards project costs are provided in the supplement to this circular.

### Financial viability

6 Each college should be able to demonstrate that it is financially viable after taking account of its contribution to the project; has no major weaknesses in its financial systems; and has made satisfactory arrangements to manage the project.



## Planning requirements

7 Each college should be able to demonstrate that appropriate planning permission for the proposal will be or has been obtained.

## PFI and PPP

8 Colleges will be required to demonstrate that they have diligently examined whether better value for money might be obtained by private sector investment and participation in the provision and subsequent management of the assets to be created and in the delivery of relevant services.

## Stage 2: Application to the Council

9 The kind of factors that an applicant is advised to consider in developing a capital project proposal are illustrated below. Not all the factors listed will be equally relevant to each case and there may be other factors that may attain significance in certain cases. In addition, there may be different outcomes for the same factor in different projects. The Council will wish to be assured that a particular outcome is appropriate for the project in question.

## Strategic plan

10 The following factors apply to the colleges' strategic plans:

- a. that the project is consistent with the college strategic plan;
- b. that the strategic aims of the project have been set out in a measurable form to enable a satisfactory post-project implementation review to be conducted;
- c. the extent to which the project relates to specialist provision;
- d. whether the student number projections for the college are soundly based;
- e. whether the project would help to serve the needs of the college's normal recruitment area and, in particular, contribute to securing proper and reasonable provision;
- f. whether there is under-utilised space in colleges and other educational institutions serving the same market and the extent to which that should be taken into account;
- g. whether appropriate collaborative ventures have been considered and, where appropriate, whether the development has been considered in terms of the local planning of provision;
- h. where a merger/potential merger is likely, the rationale must include the impact of the development on the merged institution;
- i. to what extent the project might jeopardise the financial viability of neighbouring colleges and other educational institutions, and the extent to which these colleges have been consulted about the project;
- j. *the project should not engender wasteful competition or, for example, an undue duplication of specialist facilities within a locality or a replication of courses resulting in uneconomic learning groups.*

*Colleges putting forward projects should seek the endorsement of their local learning partnerships, local education authorities and other relevant parties to reinforce their evidence that the project will not promote wasteful competition.*



## Quality

11 The following factors apply to quality issues:

- a. whether the existing provision has, at least, a balance of strengths and weaknesses and that the college has achieved at least a current inspection grade three for both governance and management;
- b. how the project might enhance and help to maintain the quality of the provision.

## Property indicators

12 The following factors apply to the colleges' property. Colleges should consider whether:

- a. the project improves the quality of the college buildings;
- b. the proposed buildings are of an appropriate type;
- c. *the building design enables access by people with physical disabilities and will meet the requirements of the Disability Discrimination Act 1995 and other relevant legislation;*
- d. the building is energy-efficient;
- e. the gross/net floor area is appropriate;
- f. whether listed buildings are involved and the implications of this;
- g. health and safety issues have been considered and all legal requirements met;
- h. there will be continuity of provision for learners during construction;
- i. opportunities are being taken for site and premises rationalisation and for their more cost-efficient operation.

## Economic appraisal

13 The following factors apply to the economic appraisal. Colleges should consider whether:

- a. the options considered are economically appropriate;
- b. all reasonable options have been evaluated;
- c. the appraisal includes all relevant costs and benefits; only relevant costs and benefits; and that the cost of land has been included;
- d. the project could be broken down into several smaller projects, including at least one project which has a higher NPV than the proposal;
- e. the project secures a satisfactory return for the UK economy;
- f. the college's contribution to the project is satisfactory, including any windfall gains, for example from sales of property;
- g. the planned profile of expenditure has been realistically constructed and taken account of the college's financial forecasts.

## Borrowing appraisal

14 The following factors apply to the borrowing appraisal:

- a. whether the college's overall borrowing will exceed the permitted levels set out in the Council's financial memorandum with the college;
- b. whether there are onerous conditions attached to the loan, and whether the interest rate is reasonable.

## Financial health

15 The following factors apply to the college's financial health:

- a. whether there appears to be any current risk to the financial health of the college;
- b. whether the project creates a risk to the financial health of the college;
- c. whether appropriate risk analysis and sensitivity studies have been conducted.

16 Software has been developed by the Council which assists with the calculations required in the economic appraisal, the borrowing appraisal and the appraisal of financial health. The software is available to all colleges and may be obtained by contacting their local Council or area property adviser.

### **Stage 3: Selection of Proposals by the Council**

17 The Council will consider each proposal which has passed the first two stages of the process against the seven selection criteria described at paragraphs 18–24 following:

#### **Proper and reasonable facilities**

18 *The Council will have available, as appropriate, the view of the relevant local Councils on the contribution each project would make to ensuring that there are proper and reasonable facilities for further education and work based training in their areas, and in the light of sixth form and other reorganisations proposed or any mergers in progress.*

19 In particular the Council will consider the following:

- a. *to what extent the project proposal reflects the new priorities for changes in local provision for 16–19 year old learners and collaboration with other local providers and, where appropriate, the outcomes of area inspections and reviews;*
- b. *how and to what extent the project proposal will establish or further develop centres of vocational excellence and*

*specialisation within the college and/or in collaboration with other local providers;*

- c. *that the college has also consulted fully on its proposals with, for example, the relevant local learning partnerships, local education authorities and other providers.*

### **Quality assessments**

20 *The Council will take into account relevant FEFC quality assessments and, as they become available, those from OFSTED and ALL.* The Council would not support a proposal where, under FEFC arrangements, the provision has been classed on inspection as having more weaknesses than strengths (grades 4 or 5 on the FEFC inspection grading scale) unless the college were able to show that it had addressed satisfactorily the shortcomings identified in the relevant area, or that the project was necessary to improve its provision. Should there be competing proposals in the locality, the Council would give preference to the college where the provision had received the highest quality classification, unless there were overriding reasons not to do so.

### **Economy**

21 The Council will compare the cost per m<sup>2</sup> of the net added space of each proposal with that of similar constructions in the same area of the country.

### **Value for money**

22 A measure of value for money will be calculated for each proposal by dividing the NPV to the United Kingdom economy of the proposal at the Treasury test discount rate by the value of the proposed Council contribution. This indicator is specifically recommended by the Treasury for situations in which decisions about rationing capital need to be made. It will

be weighed against the other selection criteria in reaching a decision on any proposal.

## Space utilisation

23 The Council will require evidence in support of a project proposal that the college concerned has fully addressed the efficient use of floorspace and facilities in its accommodation strategy. (For further advice, see FEFC Circular 97/37, *Guidance on Floorspace Management* and annex C to FEFC circular 99/06.) *Further advice will be published by the Council later this year.*

## Health and safety related building repairs, Disability Discrimination Act and other legal requirements

- 24 The Council will give preference to:
- a. projects with evidence of a significant amount of remaining urgent health-and safety-related works on buildings to be retained;
  - b. other legally required works such as those required, for example, under the *Disability Discrimination Act 1995*;
  - c. works intended to widen participation by those attending the college and, in particular, to improve access and facilities for learners with learning difficulties and/or disabilities.

## Financing

25 The Council will give preference to firstly PFI or PPP projects and secondly loan-financed projects.





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Reference CIRC/0023/01