



Department
for Education

FE Capital Transformation Fund Allocation

Spend guidance

March 2023

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Summary

The further education (FE) capital transformation programme will deliver the government's £1.5 billion commitment to upgrade and transform the FE college estate.

To date, we have committed approximately £1.2 billion through the programme to FE colleges to support them to tackle poor condition across their estates through the following programme phases:

- The further education capital allocation (FECA): a formulaic allocation of £200 million in autumn 2020 to support colleges to carry out immediate remedial projects
- We announced in April 2021 that 16 colleges, with some of the worst condition sites in the country, will benefit from investment. The department is working in partnership with these colleges to deliver their capital projects
- The FE capital transformation fund bidding round: we are investing in 74 capital projects being delivered by colleges supported by funding of approx. £410 million; and will support 2 condition improvement projects where colleges are involved with ESFA specialist restructuring.

This FE capital transformation fund allocation is the final stage of the FE capital transformation programme and we will distribute £286 million through this allocation. Information about the previous stages of funding is available on Gov.uk.

The Department for Education will consider how to ensure ongoing maintenance of FE college estates and continuation of the condition improvement of the FE college estate in the context of the next spending review.

Who is this publication for?

This guidance is for FE colleges and designated institutions that are eligible for an allocation of funding of the final stage of the FE capital transformation programme.

FE colleges and designated institutions will be referred to collectively as FE colleges for the purposes of this guidance.

It sets out:

- which FE colleges are eligible for the allocation
- when you will receive your funding allocation and the timeline for spending this
- what you can spend your funding allocation on, as set out in the terms of the grant agreement, and what is out of scope
- the match funding you can contribute
- the monitoring and auditing procedures you must follow

Eligibility

Only FE colleges that are eligible for the FE capital transformation programme have been considered for this allocation. These are:

- institutions established as a further education corporation, as defined in section 17(1) of the Further and Higher Education Act 1992 (FHEA 1992) (FE corporations); and
- designated institutions for further education established under section 28 of FHEA 1992.

The fund is not open to:

- sixth form college corporations (as established under FHEA 1992)
- schools
- academies
- higher education providers
- any other providers of further education or training, not constituted as an FE corporation or designated institution under FHEA 1992.

Where an FE corporation delivers provision through a site that is branded as a sixth form college or centre,¹ then that site is able to benefit from the programme.

Eligibility for the FE capital transformation fund allocation

All FE colleges that are eligible for funding under the FE capital transformation programme have been considered when applying the funding formula for the FE capital transformation fund allocation.

The aim of this final stage of funding is to target investment to FE colleges with sites that have some of the poorest condition across the FE estate and that have not yet received funding through this programme, other than the FE condition allocation (FECA) which all FE colleges received a share of in 2020.

The formula therefore targets funding to FE colleges with sites that have critical building elements in the lowest condition (poorest condition) categories of C and D in the FE condition data collection survey² that have not been awarded funding through the programme (excluding the FECA). These category C and D critical building elements³

¹ It may have previously been a sixth form college conducted by a sixth form college corporation.

² The Further Education Condition Data Collection survey was commissioned by the Department for Education to collect data on the condition of the FE estate, grading building elements from A to D. Further information on the [Further Education Condition Data Collection \(FECDC\) survey](#) is available.

³ By critical elements, this guidance is referring to FECDC survey categories classed as 'critical elements'. These are roofs; external walls, windows and doors; mechanical services; and electrical services.

are used as a proxy to identify the most acute condition improvement need across the FE estate.

The formula also takes into account funding that has already been awarded to FE colleges to address poor condition through previous stages of the programme (excluding the FECA).

The following categories of colleges are therefore excluded from the allocation:

1. The 16 FE colleges with some of the worst condition sites in the country that were selected (April 2021) to work in partnership with DfE to deliver capital projects that will improve the condition of their estate⁴.
2. FE colleges that have been awarded funding through the programme (excluding FECA) for all of their sites that have critical building elements in condition categories C and D in the FE condition data collection survey.
3. FE colleges that have been awarded £15 million or more through the programme, excluding the FECA.

To ensure all FE colleges receive some funding, in addition to the FECA, those that have only received funding through the FECA will be included, even if they do not have any sites with critical elements in C and D condition.

Funding allocations

The funding formula which determines how we will distribute funding is set out in the [FE capital transformation fund allocation methodology note](#).

FE colleges will receive grant agreements in April 2023. Provided these are signed by 3 May 2023, we will make payments from 19 May 2023.

You will receive your allocation in either:

- 1 full allocation payment in May 2023
- 2 instalments, with the first paid in May 2023 and the second paid in April 2024

Details of what each FE college will get is available. This will be set out in the grant agreement letter for each FE college.

⁴ [Sixteen colleges to benefit from next phase of fund to transform facilities - GOV.UK \(www.gov.uk\)](#)

Timeline for spending FE capital transformation fund allocation

FE colleges are encouraged to plan their proposed capital works to start as soon as feasibly possible and should aim to spend your allocation by the end of the financial year you receive it in. You must spend your full allocation, whether this is received in either 1 or 2 instalments, by March 2026.

You should make sure your project plan and timeline for spend is realistic and you have considered potential delays.

If the allocation is contributing to funding a larger project that has other funding sources, you must spend the FE capital transformation fund allocation contribution by March 2026.

What you can spend your allocation on

We set out the terms and conditions of spend in your grant agreement letter and annexes. You must refer to these when planning how to spend the allocation. This guidance provides further information on how you can spend the FE capital transformation fund allocation.

Eligible spend

You should plan to spend the FE capital transformation fund allocation against the terms and conditions of spend. Your aim should be to identify capital projects that will address the poorest condition across your estate.

Grant terms	Additional guidance
<p>Funding must be used for capital expenditure that will improve the condition of buildings and facilities across the college estate.</p> <p>We expect colleges to target funding towards tackling the worst condition in their estate, namely that identified as in poor condition in the FE condition data collection survey.</p>	<p>You should consider all of the sites in your estate and identify those parts of the estate that are in the poorest condition categories using the FE condition data collection survey to target for investment. You can also use, in addition to the survey, any up-to-date independent condition report you may have commissioned.</p> <p>Funding may be used for demolition of blocks that are in poor condition and are either being replaced or are surplus to requirements.</p>
<p>When determining how to target funding to tackle the worst condition, consideration must be given to the colleges longer-term estate strategy. The department expects all FE colleges to have an up-to-date estate strategy, which seeks to maximise efficiencies and best value in the use of the estate.</p>	<p>We expect all FE colleges to have a longer term, up-to-date estates strategy. This strategy should enable delivery of your overall business plan, future curriculum and learner needs. It should also include any expected future changes in use or ownership. The planned capital improvement works should be capable of meeting both the priority condition improvement needs of the estate and the medium to long term strategic estate needs, set out in your estate strategy.</p> <p>See the section on FE estates planning for more information.</p>

Planned works must be within the capacity of the college at a corporate level to manage and deliver alongside any other priorities and projects.	<p>You must have the capacity at a corporate level to manage the work you are using your allocation for alongside any other priorities and projects.</p> <p>See the section on capacity for more information.</p>
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Ineligible spend

When planning projects on which the FE capital transformation fund allocation will be spent, you should make sure your project does not fall within any of the types of ineligible spend listed in the grant agreement letter.

You should carefully read all terms and conditions set out in the grant agreement letter. The grant terms reserve the right of the Department for Education to withhold, suspend or terminate funding and/or require repayment of funding where FE colleges have not spent the funding allocation on eligible funded activities.

Grant terms	Additional guidance
Funding must not be used for improvement of estate not intended for use, or to support, further education provision.	<p>You must spend the allocation on condition improvement works where the primary purpose of the building or estate being improved is the delivery of further education. If the primary purpose of a building or part of the estate is not to deliver or support the delivery of FE provision, you should not spend the allocation there, even if it is in poor condition. Some examples of what would be considered ineligible spend include: development of large atria, accommodation of non-FE college activities and buildings that primarily or solely deliver higher education provision.</p> <p>You should consider any potential change, sale or discontinuation of use, as well as any other risk the buildings or site you are investing in would not be used for FE provision in the medium to long term.</p>
Funding must not be used for the purchase of land.	You must not use the funding to purchase land. This includes purchasing land, buildings and other assets.

<p>Funding must not be used for investment in an asset not owned by the college or under a short-term lease.</p>	<p>You must only invest funding in an asset that is owned by your FE corporation by freehold or under a long-term lease, in the region of 125+ years, at a peppercorn or nominal rental.</p> <p>You should not use funding for capital expenditure that will be met under a private finance initiative (PFI) contract.</p>
<p>Funding must not be used for non-capital expenditure.</p>	<p>You should not use funding for miscellaneous and non-capital expenditure. This includes but is not limited to:</p> <ul style="list-style-type: none"> • general upkeep and servicing of buildings and equipment, • rent or service charges, • internal staffing costs, • recoverable VAT costs incurred and • supply of loose furniture and equipment.
<p>Funding must not be used for the purpose of expanding the size of the college estate (unless the primary rationale for the project is addressing poor condition and expansion is a by-product)</p>	<p>Funding is not usually intended to be used for projects where the primary focus is college expansion. The only instance when it is permissible for the funding to contribute to college expansion is if the primary rationale for the project is addressing poor condition, and expansion is a by-product.</p>
<p>Funding must not be spent on IT equipment or software.</p> <p>Funding can be used for IT infrastructure in poor condition, including stripping out of existing and replacement of new cables, data outlets and trunking as necessary. Infrastructure is limited to passives (Cabling) Actives (Switching and Wi-Fi) and associated components. This does not include the replacement of servers or the provision of software and devices.</p>	<p>You cannot use funding for IT equipment and software. For example, revenue funded items such as laptops, desktops, annual software licences and other devices for staff or learners.</p> <p>You can only use the funding for IT infrastructure where it is identified in the FE condition data collection survey as needing remedial action. Except where this is needed as part of a new-build replacement.</p>

<p>Funding must not be used for advertising, marketing, communications and consultancy, or for any costs associated with the maintenance, technical development or updating of existing websites or for the development/creation of new websites</p>	<p>You cannot use the funding for consultancy fees or appointments that do not relate to addressing building condition need.</p> <p>You can spend the funding on professional consultancy costs, including technical advisors for the purpose of delivering the capital project. The engagement of technical advisers is eligible expenditure provided, and to the extent, their scope of appointment relates to delivering the project funded by the allocation.</p>
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Contribution to other capital projects

You can use the FE capital transformation fund allocation as part of the cost of a larger capital project but only where the allocation will fund condition improvement of your estate, in line with the terms of spend. For example, you may wish to use the allocation to increase the amount of condition an existing project can refurbish such as an additional block or classroom.

When deciding whether to use the FE capital transformation fund allocation to extend the amount of condition improvement an existing project can upgrade, you should consider:

- the condition priorities across all sites in your estate
- targeting funding towards tackling the worst condition in your estate.

Match funding

The Office for National Statistics announced in November 2022 their decision to reclassify FE providers in the statutory sector into the central government sector. Following this reclassification, colleges and their subsidiaries are now treated for financial and accounting purposes as part of the central government sector. This means they will need to comply with managing public money (MPM) guidance and relevant financial and accounting rules.

You can still use the proceeds from asset sales, cash reserves or other grant funding or contributions to contribute to capital projects. New commercial borrowing is no longer possible and should not be considered as a source of match funding.

We are not setting an expected level of match funding that colleges should contribute to projects funded by the FE capital transformation fund allocation. However, you can

contribute match funding if you wish, in order to pursue a larger condition improvement project.

Developing capital condition projects

When planning how to spend the FE capital transformation fund allocation you should consider the following guidance.

Further education estates planning

When planning how to spend the FE capital transformation fund allocation, you should identify your capital condition priorities through an up-to-date, well-developed estate strategy for the whole of your college estate. The FE capital transformation fund allocation should fund the capital condition priorities deemed most urgent in terms of condition improvement and wider estate needs evidenced in the estate strategy.

Guidance on [Further education estates planning - Guidance - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/further-education-estates-planning) published by the Department for Education is available. This sets out practical guidance to support FE colleges in planning and managing estates, including developing an estate strategy and maximising space and operational efficiencies.

Net zero and sustainability

When developing capital projects that address condition priorities across your estate, you should consider measures that will improve the sustainability of the college estate, where this is relevant to the scope of the works required to address poor condition. Guidance on [Further education sustainable estates guidance](#) published by the Department for Education is available and is also referenced in the FE Estates Planning Guidance.

Further Education Output Specification

When developing capital projects, you should consider the department's Further Education Output Specification. This sets out building specification standards to support colleges in designing capital projects that will meet the needs of colleges and learners. The [Further Education Output Specification](#) is available at Gov.uk and is also referenced in the FE Estates Planning Guidance.

Planning projects

You are responsible for your capital projects, this includes:

- the procurement
- risk management
- the delivery of the project

We are not responsible for any additional project costs and compensation claims you incur during the procurement and construction of your projects. You should plan projects carefully and plan for contingency.

Capacity

If you have other capital projects or priorities to manage alongside spending the FE capital transformation fund allocation, you must ensure you plan the spend of your allocation so that it is feasible to manage and deliver within the capacity of the college. You must make sure that corporate level management capacity is available alongside other priorities and projects.

You must consider whether your:

- governance arrangements provide sufficient oversight and accountability for multiple projects;
- management arrangements, resource and any professional advice you need are sufficient to deliver multiple projects.

Public contract regulations

You should consider whether you are a contracting authority for the purposes of the Public Contract Regulations 2015 and should ensure you comply with these regulations where relevant.

VAT

You are responsible for the procurement of projects. This means you are liable for any VAT liability incurred. You should obtain appropriate advice on VAT liability. You should include non-recoverable VAT incurred as part of your project costs when planning projects. You should make sure you can meet the full cost of the projects either through the allocation or from other funding sources.

Procurement

You are responsible for the procurement of your projects, which means you need to comply with public procurement regulations, together with the specific requirements set out in the grant agreement offer letter project specific conditions. We encourage colleges to consider the procurement of capital projects through [DfE Construction Frameworks](#) and DfE's [Modern Methods of Construction \(MMC1\) framework](#).

Monitoring spend

We will monitor how colleges spend their allocations through monitoring returns, as set out in the grant agreement terms.

How often you will need to submit monitoring returns will depend on the size of your funding allocation. You must complete the required monitoring returns at the relevant periods that apply for your college. Your grant agreement letter will include the timeline for completing all returns.

For the majority of FE colleges, this means completing the:

- **first return** setting out:
 - how they plan to spend the allocation to address poor condition across their estate
 - the timeline for spend
 - that they have the capacity to deliver the planned works
- **end of financial year return** to confirm how the project is progressing against the timeline of works and within the grant terms
- **final audit return** to confirm:
 - how the funding has been spent to improve poor condition across their estate
 - that funding has been spent within the scope of the terms of the grant

We will ask a small number of colleges with a larger allocation to submit additional returns with a greater level of information and evidence. This is to take account of the additional complexities of larger projects.

You will submit all your monitoring returns through an online portal. We will provide further details and instructions in your grant agreement letter.



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