

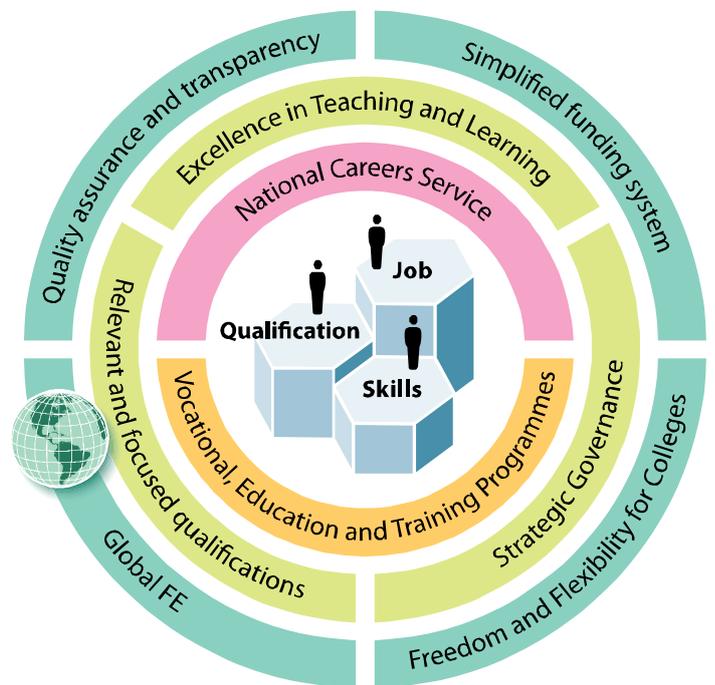


Department
for Business
Innovation & Skills

Skills
Funding
Agency

FE COLLEGE CAPITAL INVESTMENT
STRATEGY

DECEMBER 2012



Contents

Introduction	2
FE Colleges and Growth	4
The Impact of Capital Investment	5
The FE Estate Challenge	6
Our Strategic Approach	8
Next Steps: Outline Delivery Plan	9
Annex A - Delivery Plan: Underpinning Criteria	13
Annex B - Case Studies	19

Introduction

Learners and employers are at the heart of the Government's plans for growth. These plans set out four clear ambitions to achieve strong, sustainable and balanced growth in the UK by:

- creating the most competitive tax system in the G20;
- making the UK the best place in Europe to start, finance and grow a business;
- encouraging investment and exports as a route to a more balanced economy; and
- creating a more educated workforce that is the most flexible in Europe.

Creating a more educated and flexible workforce depends on a skills system that is focussed on what employers in local communities need. Each of the new sector strategies in our industrial strategy will include a focus on skills and require a responsive approach from those charged with meeting the nation's skills needs.

The skills reforms set out in *Skills for Sustainable Growth* and in *New Challenges, New Chances* help to drive these ambitions, removing central controls and freeing colleges to deliver skills that are relevant and responsive to employers, sectors, learners and the communities they serve.

The importance and value of a modern and responsive FE college sector in supporting Government skills priorities is clear. Growth, coupled with a skilled workforce, creates jobs which in turn create opportunities and spread prosperity.

Further education builds upon and goes beyond what has been achieved through compulsory education providing opportunities and choices, helping all learners reach their potential. These include opportunities to secure technical, craft and occupational skills; to follow academic routes and to develop higher level skills; and to enhance personal fulfilment and well-being.

Skills needed in our ever changing world can only be delivered if colleges are dynamic and operate with suitable and appropriate buildings and facilities, equipped with up-to-date equipment and machinery similar to that used in modern workplaces across the country.

The previous Government's capital funding decisions created a legacy in which too many learners have a poor educational experience in colleges with inadequate estate and facilities that do not always reflect the modern working world. Without capital investment, these college buildings and facilities add costs to the system, constrain curriculum delivery, harm the quality of teaching and learning, undermine learner and employer engagement and affect the availability of skills – all hindering growth.

The Government intends to target capital investment towards those colleges in the greatest need of help - colleges with poor building conditions and inefficient estates, and those that demonstrate high value for money and that can support growth in the economy.

Sensible, targeted investment in our colleges will save money in the long term; it will improve efficiency and it will improve effectiveness.

Since May 2010, over £330 million of new FE college capital investment has been made available to FE colleges across the country. This funding is enabling college projects totalling over £1 billion. It is helping FE colleges to address estate condition issues, improve their functional suitability and improve their overall efficiency.

A more efficient and effective FE estate is good news for the taxpayer. It is good news for local communities. And it is good news for the learners and employers it serves.

To improve the condition of the FE estate, a longer term and more strategic capital investment strategy is required. Such a strategy will help colleges to develop, with confidence, meaningful and robust capital proposals to address the well documented issues currently facing the FE college sector.

On this basis, the Government has allocated a total of £550 million for capital investment in the FE college estate in 2013-14 and 2014-15. This will be available to support projects that will be operational by September 2015.

This document outlines the Government's capital investment plans for the remainder of this Parliament and our aspirations for future capital investment in FE colleges. It sets out key priorities; and it encourages colleges to develop coherent property strategies capable of a phased implementation with a view to maximising the impact of capital grant availability.

To emphasise the beneficial impact of capital investment in the FE sector and to give a sense of the breadth and variety of approaches, this strategy also includes a small number of FE college capital project case studies.

Matthew Hancock MP
Minister for Skills

FE Colleges and Growth

1. The valuable mix of academic, occupational, and vocational education offered by FE colleges means they have a unique role to play in delivering the Government's skills agenda whilst supporting other cross-government initiatives.
2. FE colleges are essential in helping young people, the long-term unemployed and others at a disadvantage in the labour market to move into sustainable jobs. Colleges deliver provision to more 16-18 learners than schools as well as to adults that might not otherwise be supported. They are key deliverers of 'classroom-based' learning, they support work based learning and have an important role in supporting employers and sectors with Apprenticeships.

Key FE college statistics (2010/11)

- Over 2 million learners participated in government funded further education in FE colleges, comprising:
 - 700,000 16-18 year olds; and
 - 1.3 million aged 19+.
 - 43% of 16-18 year olds studied at FE colleges – this is more than in schools (29%) and more than in Sixth Form Colleges (9%).
 - 49% of all 19-24 government funded FE learners were in FE colleges compared to 35% in private sector institutions and 16% in a range of other funded bodies.
 - 41% of 25+ government funded FE learners were in FE colleges compared to 31% in other publicly funded institutions, such as Local Authority provision and 23% in private sector institutions.
3. No other bodies or institutions are able to support the Government's economic and social priorities in quite the same way as FE colleges. Colleges deliver provision ranging from basic skills to higher education. They offer provision which is delivered in classrooms, laboratories, workshops and simulated settings as well as in the workplace. However, to deliver effectively, colleges need buildings and facilities which are flexible, fit for purpose and in good condition. It is for this reason that the Government is committed to supporting investment in the FE college estate, a vital part of the skills 'delivery chain', where targeted investment clearly supports the delivery of key Government priorities.

The Impact of Capital Investment

4. Recent research (Frontier Economics and BMG Research (2011) *Evaluation of the impact of capital expenditure in FE colleges*, BIS Research Report 99), published at the same time as this strategy, identifies the positive impact of capital investment on learners, employers and local communities:

Table 1: Impact of Capital Investment

- **Increased learner participation:** Every £1million of capital expenditure increases participation by between approximately 62 and 86 learners per year. Capital investment enables colleges to improve the curriculum by offering new courses with high quality facilities which is often translated into improved success rates and retention rates.
- **Improved learner performance and engagement:** Colleges report significant improvements in the quality of learning following capital expenditure with students continuing in other courses or transitioning to Higher Education.
- **Improved employer engagement:** Newly improved buildings allow colleges to offer facilities that more accurately match what employers want. They allow colleges to engage employers in other ways, such as providing spaces for hosting meetings and conferences and provide a better environment for students to interact with industry representatives and to demonstrate that they are 'industry ready'.
- **Increased learner satisfaction:** Student satisfaction surveys indicate students feel more satisfied on their courses following capital investment and take a greater pride in their environment; this is demonstrated by way of less gratuitous damage, vandalism and graffiti.
- **Increased income generation:** Capital expenditure is associated with an increased ability of colleges to raise income independently. This equates to a 5.5 percentage point reduction in their dependency on government funding for colleges with large capital projects (£60 million plus).
- **Economic regeneration:** Colleges play an important role in leading economic regeneration of areas; the economic regeneration stimulated by college investment can be of direct benefit (employing staff in the college) as well as indirect benefit (stimulating investment from other businesses). New college buildings appear to have stimulated the investment of other businesses in the area with associated jobs.

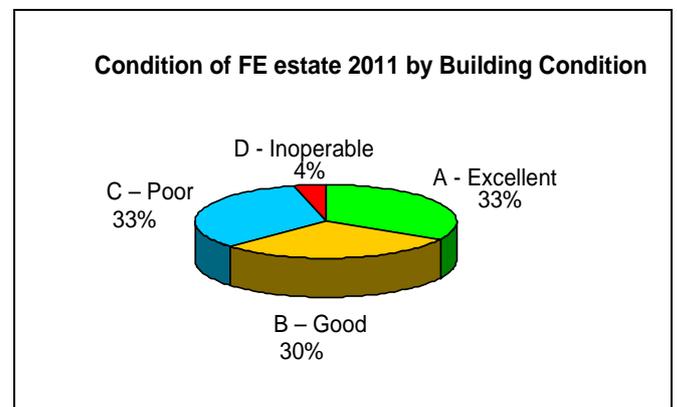
5. There is clear evidence to show that capital investment in FE buildings, equipment and facilities supports growth, industry and social cohesion. It benefits local people, employers and the communities they serve through the acquisition of skills, educational outcomes and employability. Such investment also creates and safeguards jobs, both in construction and in related and support sectors.

The FE Estate Challenge

6. The FE college sector comprises 246 FE colleges with a combined estate of approximately 7.7million m². The estate ranges from modern, state-of-the-art campuses, to out-dated Victorian buildings, to 60's blocks and sprawling estates with long term 'temporary' accommodation.
7. The most recent college estate benchmarking returns (eMandate 2012 (data from 2010-11)) demonstrate a significant disparity across the college estate. Poor estate condition adversely affects college operations and the learner experience. Latest data suggests that up to 800,000 learners may currently be undertaking learning in a sub-optimal environment.

Building Condition

8. Over half of all FE colleges currently assess at least one third of their estate as poor or inoperable.
9. Not only does building condition have an impact on learner and employer engagement and staff morale, but colleges with better quality estates cost less to run than those with worst estates.



Running Costs

10. The average overall running costs of the best quality estates is 12% less per square metre than reported for those with the worst quality estates. Similarly colleges with the worst building condition incur annual maintenance costs which are 34% higher than those estates with better quality estates.

Table 2: Impact of building condition on estate running and maintenance costs

% of college space graded in condition A		Estate running cost psm	Maintenance cost psm
Best estates	more than 80% in A	£51.41	£11.19
	60-80%	£52.79	£12.59
	40-60%	£54.03	£12.72
	20-40%	£57.41	£13.77
Worst estates	less than 20% in A	£57.52	£15.03

Functional Suitability (Fitness for purpose)

11. Skills Funding Agency data indicates that in 2009/10, over 50% of the FE estate was assessed as being in need of improvement or unacceptable in terms of fitness for purpose. This means that the nature and inflexibility of this accommodation impacts on the efficient delivery of an effective curriculum and acts as a constraint to the delivery of more flexible and interactive styles of teaching. We will work with sector representatives to ensure that, together, the sector and government is able to help improve the versatility of college buildings, facilities and estate.

Space Efficiency

12. Due to building condition and functional suitability issues, the FE estate is too big and inefficient to operate and maintain. Rationalisation of the FE estate will enable colleges to target resources more effectively. In 2009/10 the average running cost of the FE estate was £54/m². A reduction in the FE sector floorspace of just 5% could result in potential annual savings of £21 million across the sector.
13. We will continue to work with the sector to ensure that through the grant funding criteria, all grant funded projects give consideration to building condition, functional suitability and the scope for rationalisation.

Our Strategic Approach

14. Colleges play a vital role in the delivery of the skills needed to support economic growth and personal wellbeing. Government wants to help the FE college sector achieve the position where all colleges operate with estate which is in at least 'Good' condition, which is fit for purpose, and is versatile enough to efficiently accommodate changes in curriculum, social and economic needs and/ or educational delivery.
15. To achieve this goal, the Government wants to encourage the development of coherent property strategies with projects, possibly phased, which are capable of implementation as capital funding becomes available. On this basis, the Government has allocated a total of £550 million for capital investment in the FE college estate in 2013-14 and 2014-15. This will be available to support projects that will be operational by September 2015.
16. In addition, the government is proposing to give an early indication of capital funding availability across the next spending review period at the earliest opportunity.
17. A more efficient and effective FE estate is good news for the taxpayer. It is good news for local communities. And it is good news for learners and employers it serves resulting in:
 - Increased and widened learner participation;
 - Improved learner performance and engagement;
 - Improved employer engagement and investment;
 - Increased learner satisfaction;
 - Increased income generation.
18. We believe that this investment will allow government to work with colleges to address the 4% of the estate classed as inoperable and to reduce the proportion of college estate that is currently classed as "poor" to below 30% for the first time in living memory.
19. In addition, government will continue work with the sector to develop a strong evidence based case to support further, continuing investment into the future with a view to achieving our vision of a modern, responsive and fit for purpose FE college sector.

Next Steps: Outline Delivery Plan

20. The Skills Funding Agency will work closely with the department and the sector to take this strategy forward. This section outlines the Skills Funding Agency's delivery plan, the timeline and the broad criteria for the programme.

21. In addition to working with those colleges that were unsuccessful through the 2012-13 Enhanced Renewal Grant Phase 3 (ERG3) scheme, the Skills Funding Agency will deliver a new programme with three elements:

- A Project Development Fund – to support college project development;
- A College Capital Investment Fund – targeted at those colleges with the greatest need to improve their estates and those capable of contributing to the Government's growth agenda; and
- Targeted Capital Allocations – to ensure the capital programme is alive to emerging pressures and demands and able to respond accordingly.

Key programme milestones are as follows:

Dec 2012	New College Capital Investment Programme launched
By 14 Dec 2012	All unsuccessful ERG3 colleges aware of future funding options available to them
31 Jan 2013	Deadline for the 18 'fundable' ERG3 projects to confirm their request for ERG3 funding
By 14 Feb 2013	Skills Funding Agency confirmation of grant for the 18 'fundable' ERG3 projects
15 Feb 2013	Deadline for the 42 unsuccessful ERG3 projects to resubmit updated applications
1 March 2013	Deadline for colleges to submit Expressions of Interest to the new College Capital Investment Fund
5 April 2013	Agency notification of ERG3 funding decisions for the 42 colleges that resubmitted updated ERG3 applications
By 26 April 2013	Agency confirmation of first phase new project Expressions of Interest decisions
Sept 2015	College Projects Operational

22. Based on the advice of sector representatives, other stakeholders and the evidence that capital investment in FE colleges has a positive impact on growth, skills levels and life chances, the Government has agreed to support the following capital investment approach:

Project Development Fund

23. To assist colleges with the implementation of their property strategies and in developing capital projects, the Skills Funding Agency will launch a *Project Development Fund*. This fund will:

- make some limited funding available to colleges identified as in the greatest need, through a simple formula allocation;
- provide colleges with sufficient capital resources to obtain professional help to develop strategic capital projects;
- create a 'pipeline' of potential projects, some of which are capable of implementation and being operational by September 2015.

24. To maximise the benefit of public funds, colleges will be required to demonstrate they have a robust and deliverable property strategy which is driven by the strategic requirements of the institution and Government policy. Strategies should be capable of being implemented in phases to take account of self-funding opportunities and availability of capital grant.

College Capital Investment Fund

25. Following consultation with sector representatives in December 2012, the Skills Funding Agency will launch a FE Capital Investment Programme giving colleges access to capital grant allocations in 2013-14 and 2014-15. Funding will be targeted at those colleges with the greatest need to improve their estates and those capable of contributing to the Government's growth agenda. Key aspects include:

- The Skills Funding Agency will work with sector representatives to develop programme criteria and operational arrangements which will be published on the Agency website. These criteria and proposed operational arrangements, which are outlined in Annex A, will centre on the:
 - educational justification for the project;
 - project's short-, medium and long-term affordability;
 - project's financial appraisal outcomes; and
 - project's value for money.
- Applicants will normally be required to at least double-match Agency grant (i.e. Agency grant 33%: college contribution 66%). This will ensure that public

investment levers in, rather than displaces, investment made by colleges themselves;

- The Skills Funding Agency will invite ‘expressions of interest’ from the sector and then operate an open application process, with four ‘windows’ each year, so that colleges can submit applications when they are ready in the clear knowledge that applications submitted by the published date will be advised of decisions as set out in a published programme schedule;
- A rigorous application assessment process will be undertaken with input from the sector;
- All applications will be managed by the Skills Funding Agency and assessed by a small, expert panel which will meet quarterly (although monthly meetings may initially be required) as agreed with sector representatives;
- The model will move away from the current paper based assessment exercise, scoring projects against each other at a fixed point in time, and move to a more nimble and responsive model better able to reflect the diversity of the sector and Ministerial priorities;
- Applicants will be given the opportunity to strengthen and re-submit an unsuccessful application with feedback being an important part of the process.

Targeted capital allocations

26. Although the primary focus of this strategy is on estate condition, functional suitability and supporting growth, it is recognised that demands for versatility across the sector may bring forward issues and challenges which government could support with some targeted capital allocations. On this basis, it is proposed to work with sector representatives to ensure the capital programme is alive to emerging pressures and demands and able to respond accordingly. This may involve making some limited targeted funding available either by competition for specific grants or on the basis of targeted formula allocations. Specific policy initiatives which could be supported include carbon reduction, sustainability, enhancing running cost efficiencies and supporting skills and growth more generally.

Annex A - Delivery Plan:

Underpinning Criteria

1. To maximise the impact and benefit of Government capital investment applications for capital grant support will be assessed against key criteria which include:

Benefits to learners/Supporting Economic Growth

- Skills shortages/ Growth industries: enabling training geared towards delivery to address skills shortages and/or growth industries and sectors, by providing training to equip individuals with the skills needed to get back into employment or by supporting the up-skilling of employees. Understanding and meeting skills shortages and the development needs of local communities - having a positive impact on employers;
- Responsiveness and securing added value for agreed local priorities and action plans: alignment and links with local stakeholder plans and identified needs including, where appropriate, Local Enterprise Partnership (LEP), City Deal strategies, Enterprise Zones or other published strategies setting out local priorities for action. Contribution to the priorities and outcomes in these plans are clearly demonstrated and measurable and agreed with these partners;
- Contribution to the priorities and outcomes in the above plans and priorities are clearly demonstrated and measurable and agreed with these partners. Demonstrates links with plans for tackling specific local issues and challenges, including those affecting rural and remote areas and plans which support regeneration. Demonstrates added value / cost reduction or increased impact benefits for the outcomes and priorities set out within these plans and priorities;
- Impact on unemployment and people not in employment, education or training (NEET): enabling a variety of teaching methods and technologies to engage with and retain hard to reach young people such as NEETs, making a positive impact on youth unemployment, and providing essential skills for jobs, including numeracy and literacy support;
- Apprenticeships: supporting the expansion of 16-18 and 19-24 Apprenticeships, supporting other work place provision, and providing clear routes to higher level training including higher level Apprenticeships;
- Benefits to classroom-based students: inspiring and transforming teaching and learning experiences, using industry standard equipment and environments for vocational courses, including learning technologies; providing a resource base which is able to flex to the needs of 16-18 and adult learners;
- Improving quality: supporting improvements in the quality of teaching, learning and assessment, learner success and, where relevant, addressing inadequate curriculum areas and provision falling below minimum quality standards;

- Offers pathways and opportunities that engage the educational and training needs of students and support the business and skills requirements of employers and sectors;
- Other growth measures: including widening participation by creating improved opportunities for learners with learning difficulties and disabilities, offering more flexible routes and opportunities to higher education.

Property and Estate Considerations

- Renewal and Modernisation of the FE estate: reducing the amount of floor space in poor/inadequate building condition thereby improving classroom and workshop based learning environments, improving quality, learner satisfaction and success rates;
- Rationalisation and Efficiency: addressing space which is inefficient and unfit for purpose, reducing operating costs, driving efficiencies and creating space which is versatile, fit for purpose and tolerant to change;
- Sustainability and Carbon Reduction: strategic engagement with the Government's Sustainability and Carbon Reduction agenda. Linking capital projects to formally recognised initiatives such as ISO14001 and other environmental management, energy cost reduction and carbon reduction programmes leading to reduced carbon emissions;
- Building Research Establishment Environmental Assessment Method (BREEAM) rating: targeting relevant BREEAM ratings to ensure appropriate environmental and sustainability issues are incorporated into projects;
- Relevance to Property Strategy: projects should be driven by the strategic objectives of the college and be part of a clear adopted property strategy for the institution.

Value for money

- Building Costs: meeting the Skills Funding Agency's cost benchmarks;
 - Positive return on investment: demonstrating a positive return on investment in terms of investment appraisal / net present value (NPV) for the proposed project compared with the base case (do the minimum) option;
 - Project operating savings: implementing projects which result in lower premises costs (£/m²) over an investment period of 20 years.
2. Consideration will also be given to past return on investment and the extent to which previous projects have delivered on intended outcomes. This will have the benefit of ensuring that rigorous post project evaluations are undertaken and appropriate lessons learnt.

3. To maximise the impact of public subsidy, the Skills Funding Agency will operate a value for money gateway which ensures that only those projects that meet minimum standards will secure funding. Colleges will, however, in the case of major projects, receive feedback and have the opportunity to resubmit their applications.

Proposed Operational Arrangements

4. The 56 ERG3 projects approved for funding in October 2012 have helped to reduce the immediate “pipeline” of projects under development by the sector. In terms of value for money, this is a good thing as it means that those colleges with estate issues that did not apply, or those that submitted applications that could not be funded, can now be targeted.
5. Lessons learnt from previous large capital investment programmes show that many colleges incurred significant upfront costs in developing large capital projects; many of these projects were unsuitable for phased implementation and were never approved due to the reduced availability of capital funds. As a consequence, many colleges are sensitive to the risks of incurring professional fees and costs to develop capital projects unless they believe there is a realistic chance of securing funding.
6. Capital funding for the current programme is available for spend in 2013-14 and 2014-15. Given that some capital projects can take in excess of 10 months to design and bring forward for implementation, it is important for colleges to start work on developing suitable phased capital projects as a matter of urgency if they are to be in a position to maximise the impact of available capital funding during this period.
7. To help address these issues, the Skills Funding Agency will establish a Project Development Fund for allocation between the end of December 2012 and March 2013. This fund aims to encourage colleges that might otherwise be reluctant to develop robust capital projects and applications by offering limited grant funding at an early stage in the capital process, thereby reducing the financial burden on colleges wishing to prepare strong capital proposals.
8. The Project Development Fund will be available to cover colleges’ external professional costs incurred in developing capital strategies, projects and/or applications. The Project Development Fund will also be available to colleges to cover costs including:
 - Undertaking specialist surveys (for example asbestos, services, building condition and structural surveys) required to develop a capital project;
 - Professional fees for preparing a feasibility study to assess options identified in the property strategy;
 - Professional fees for developing a capital project – design team, cost consultants, town planning and procurement, etc;
 - The costs of developing a capital application for submission to the Skills Funding Agency for grant support.
 - Improving the value for money of the bid.

Project Development Fund Allocation Proposal

9. The Skills Funding Agency will operate a 'light touch'/ non-bureaucratic allocations approach based upon the following characteristics:
- All colleges with 20% or over of their estate in poor and/or inoperable building condition will be eligible for support through the Project Development Fund. As per the Renewal Grant approach, the latest eMandate returns will be used as a base line; colleges who have not submitted an eMandate return or believe their eMandate return is erroneous can make a case to the Agency for inclusion.
 - Colleges with less than 20% of their estate in poor and/or inoperable building condition will have the opportunity to apply to the Project Development Fund if they have an individual campus with in excess of 20% of the accommodation in poor/inoperable condition (this could be particularly beneficial to merged colleges where one site or campus is in need of urgent attention).
 - An allocation of £110,000 per college (although colleges could request less)
 - To incentivise the development of good, deliverable, value for money projects, colleges will normally be expected to make a 50% contribution towards the professional project development fees (i.e. 50% Agency funding and 50% college funding). Colleges will be able to submit a financial case to the Agency to justify a higher proportion of funding which will be considered on its merits;
 - Colleges will complete a simple application form (similar to that of the Renewal Grant acknowledgement form) stating the amount of Project Development Fund requested, a description of the work to be undertaken, confirmation that costs will be incurred in sufficient time for funding in 2012-13 and that the target date for operational completion is expected to be September 2015;
 - Colleges will be required to submit a use of funds statement to confirm the amount of Project Development Fund spent and the output;
 - Following a review of the Project Development Fund, the Agency may make a 2nd tranche of Project Development Funding available to those colleges that submitted successful Expressions of Interest applications – see below. Grants will be available, normally on a matched 50/50 funding basis up to a maximum grant of £250,000 (including the £110,000 initial Project Development Fund grant) for colleges to develop projects/ capital applications.

College Capital Investment Programme

10. The Skills Funding Agency will launch a two part capital programme in December 2012 – one part for those colleges that were unsuccessful with ERG3 capital applications, and the other for new projects available to all colleges:

Part 1a: ERG3 “lower priority” projects that were assessed as ‘fundable’

11. In determining ERG3 applications, the Skills Funding Agency's view, endorsed by sector representatives, was that all projects that achieved an agreed minimum score

threshold, with no value for money issues, were sufficiently robust to merit capital funding support. The available ERG3 funding enabled 56 projects of the 116 ERG3 applications. A further 18 projects were deemed to be fundable, should additional funding become available.

12. On this basis, the Skills Funding Agency will invite all 18 colleges to reapply for capital funding. These colleges will not be required to resubmit revised applications – they will simply be asked to confirm by 31 January 2013 at the latest that there are no material changes to the project application submitted. Given that all the ERG3 applications have been assessed rigorously and been moderated, no additional assessment process need be undertaken by the Agency. Subject to appropriate assurances, Conditions of Grant letters could be issued quickly by the Agency and projects could begin soon afterwards.

Part 1b: Unsuccessful ERG3 Projects that failed to achieve the minimum score threshold

13. Colleges with ERG3 projects which scored less than the agreed minimum score threshold, or had value for money issues, will be given the opportunity to resubmit their applications after revising them to address the shortcomings identified during assessment process. Colleges will be given until the 15 February 2013 to resubmit applications; an accelerated assessment process will be undertaken by the Skills Funding Agency with applications being determined by the end of March 2013.

Part 2 – New College Capital Investment Fund

14. The Skills Funding Agency will also launch a new College Capital Investment Fund. The broad elements of the fund will include those criteria as set out in this document and include:
 - Applications will be prioritised based on need and not according to the amount of capital funding historically received by a college;
 - Minimum project value: normally £3 million unless an exceptional case can be made for proposals with a lesser project cost;
 - Maximum grant support: normally £10million (unless an exception case for additional grant support can be made);
 - Agency grant support through this phase of the capital investment programme is only available for £250 million in 2013-14 and £300 million in 2014-15. Colleges must therefore develop projects and grant support applications accordingly;
 - Colleges will be expected to maximise their financial contributions to projects through, for example, asset disposals. Colleges will normally be expected to provide a minimum funding contribution equivalent to two-thirds of project value (i.e. 1/3rd Agency: 2/3^{rds} college contribution). Where colleges are unable to provide the required match funding, the Agency's Provider Finance team will undertake a review of each application's financial plan to confirm affordability which will help to inform the business case for enhanced support;

- Projects should be operational by September 2015.

15. It is proposed that the fund should follow a two stage allocation approach:

Stage 1 – Expressions of interest

16. Colleges will be required to submit Expressions of Interest to the Skills Funding Agency by 1 March 2013 which will need to include:

- Description of project – total project costs and project description
- Strategic context (i.e. fit with strategic objectives and estate strategy);
- Proposed improvement to the estate;
- Anticipated grant requested including potential asset disposal opportunities;
- Key outputs of the project including anticipated benefits to learners, improved estate condition, rationalisation, efficiency savings, etc.

17. Expressions of interest will be assessed by the Skills Funding Agency and subject to moderation in line with the tried and tested ERG processes. Successful applicants will be notified by 26 April 2013, invited to submit detailed applications (see below) and may be eligible to apply for up to a total of £250,000 for additional Project Development Fund support (see above) for use in developing detailed applications. Grant support will normally be available on a matched funding basis.

Stage 2 – Detailed Applications

18. Colleges will be able to submit detailed applications to the Skills Funding Agency at any time from May 2013 to April 2014. The Agency will review each application against detailed criteria developed in conjunction with the AoC Capital Reference Group. An assessment panel (which will include representatives nominated by the AoC) will meet every 3 months (monthly meetings may initially be required depending on need) to assess the detailed applications.

19. Lessons learnt from previous large FE capital investment programmes show there is a risk that colleges could put too much store by success at the Expressions of Interest stage and too little by the later Detailed Application stage. In the past this has led in some cases to colleges incurring abortive costs and making commitments prematurely; the Skills Funding Agency will work closely with the sector to ensure the capital application process is understood by colleges to minimise this risk.

20. The Skills Funding Agency will hold additional Expressions of Interest rounds as and when required depending on the demand for grant support and the availability of additional capital investment.

Annex B: Case Studies

Preston College

Prior to 2010, Preston College operated on two main sites – Fulwood and Park campuses. Accommodation at the Park campus was inflexible, expensive to maintain and not fit for purpose. At the Fulwood campus, there was a need to vacate some unsuitable space and improve space utilisation. In 2010, a strategic decision was taken to rationalise the estate and to consolidate onto a single site at the Fulwood Campus. This provided an opportunity to bring together the delivery of visual and performing arts into a consolidated space, addressing Ofsted inspection concerns.



Previous capital investment and borrowing meant that further College borrowing and capital receipts were not sufficient to self fund the investment needed. The Enhanced Renewal Grant allowed the College to implement this important strategic change.

The College invested in a new building and extensively remodelled the existing space to provide high quality, professional visual and performing arts facilities. The development included an attractive central Atrium for exhibitions and events and facilities which included: a fibre optical network and a range of dance and drama spaces; creative IT suites; art, design and fashion spaces; recording studios and rehearsal spaces; and a Drama/ TV studio with 100 seat capacity.



Located at the front of the College site, the development is highly visible and is helping to raise the profile and prestige of the College with students, employers and the local community. This consolidation has invigorated the Fulwood Campus, resulted in exciting curriculum, managerial and financial benefits. The number of students on professional

dance courses, available from Level 3 to Level 6, has increased by 20%. Commercial income has increased by 40% through community partnership arrangements and commercial programmes and is set to increase further; a range of new community weekend college provision will provide young people from 4-14 years old and those aged 14-adult with a positive experience of the College. Running cost and efficiency savings of around £300,000 have been achieved.

Northbrook College

The Broadwater Campus comprised mainly temporary buildings together with sub-standard and inadequate buildings from the 1920s. Some of these buildings contained large quantities of asbestos, were difficult to heat in winter, prone to leaking during heavy rain and very hot in summer. Significant investment was long overdue.



The College developed a long term plan that will be delivered in stages to improve the campus in a way that mitigates financial risks, aligns with planned disposal receipts and minimises disruption to learners.

Broadwater Campus Phase 1

Phase 1, which started in autumn 2010 and was completed in December 2011, sought to improve facilities which would support 14-16 year olds, NEET youngsters, and unemployed adults. This included co-locating the Out of School learning facility which was built on another part of the campus by the Local Authority; improved learner services in a new entrance/reception area and better access and facilities for disabled students; along with a contemporary, high quality three storey building for Hair & Beauty as well as general classroom space, and a connected single storey sustainable classroom as a 'construction showcase'.



The positioning of Learner Services, linked to the Reception, has improved security and safety on the campus, and brought together the services to learners and the wider community in a 'one stop shop' near the entrance to the campus. The realistic working environments allow the College to host manufacturer training and demonstrations and it is one of 30 colleges across the country that has been awarded 'Wella Professionals Centre of Excellence' status.

The College received a £1m Enhanced Renewal Grant towards the £5.1m project which aimed to improve severe estate deficiencies. This project has improved space utilisation and has also resulted in significant energy savings, for example, a 50% reduction in the first month of operation.

Working Men's College

Working Men's College is a Specialist Designated College for women and men located in Camden Town, north London, with Beacon status and a mission to provide a second chance to local adults. Its 1904 building has a Grade 2 listing and, with its adjacent house, used to provide both teaching and some living space. The main building of nominally four storeys was designed with 19 different floor levels. Accessibility was poor, much of the specialist teaching accommodation was unsuitable, significant space was underused and there were inadequate social and catering areas.



A two-phase programme was developed. The first phase, 2006-2008 was undertaken at a cost of £4m with mainstream capital and DDA grant support totalling £1.3m. It provided accessibility to DDA standards, four new specialist classrooms, new café with social space plus library and learning centre within a new building behind the main one, new energy-efficient boilers and an electricity substation.

The second phase, 2010-2012, at a cost of £1.5m with a £427k Enhanced Renewal Grant used the house and roof space to provide: a new main entrance with disabled access beside it; a larger, more welcoming new reception / student services area; two classrooms; new staff offices; and links at all levels between the house and main building.



Completed in September 2012, the new facilities addressed a number of issues raised by learners including lack of integration between reception and student services, lack of circulation space in those areas, the building's complexity, and the difficulties faced by disabled people getting into the College.

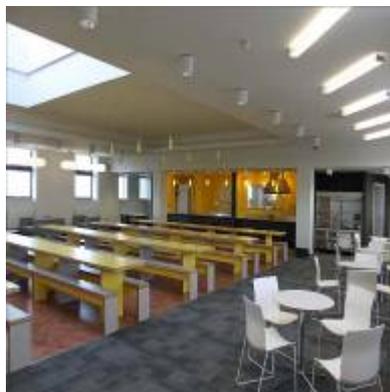
Waltham Forest College

The College estate was recognised as being outdated with some poor temporary accommodation in place for over 35 years. This was not conducive to learning which adversely affected perceptions of the College amongst learners and the wider community.



In September 2010, the College received a £1m capital funding allocation from Phase 1 of the Enhanced Renewal Grant scheme towards a project which had a total cost of £3.3m.

The project involved remodelling of the centre spine of the Forest Road building, incorporating: a more welcoming Reception area; six high specification teaching and learning areas; an updated main Cafeteria which doubles as a large conference centre; and the creation of a new Learning Resources Centre with an IT suite on a mezzanine floor. In addition, the refurbished areas improved the roofs, roof lights and water supply.



The new buildings and facilities provide greater flexibility and space utilisation with all learners having access to the new accommodation at some point during a typical week. This has been welcomed by students and staff. Retention on long courses for all age groups and at all levels of provision improved in 2011/12 over previous years and

feedback from students and staff has been very positive. The end of year 'Learner Voice Survey' has shown improvements in satisfaction levels, particularly for the Cafeteria which was previously the most negative of all aspects of College life; along with positive feedback on the improved independent learning facilities available in the new Resource Centre. The new café on Level 2 has brought a palpable improvement to the feel of the College that has diverse groups of learners mixing as one community with staff and visitors.

Hartpury College

Home Farm Development – The Malcolm Wharton Centre

Hartpury College's Home Farm Campus suffered from severe underinvestment. The facilities for 230 FE learners were predominantly temporary portacabins which were beyond the end of their useful lives. These were not conducive to learning. They were poorly insulated, had restricted access for learners with learning difficulties and disabilities, had leaking roofs, were expensive to operate and presented both physical and bio-hazards due to the mingling of learners, livestock and heavy agricultural machinery.

Home Farm Buildings in 2010



In September 2010 the College received £1million Enhanced Renewal Grant from the Skills Funding Agency for a £3.8million project to construct the Malcolm Wharton Centre - a 1540m² building, replacing 7 temporary buildings and an old converted farm building. The new building provides 8 classrooms, 3 IT suites and a Learning Resource Centre bringing together under one roof 260 agricultural, game keeping and farm mechanisation learners.

The new, sustainable facilities have improved safeguard which have had a significant impact on the morale, discipline and outlook of learners. The facilities have also improved operational efficiency which has resulted in operating savings of £80,000 per year, maintaining outstanding success rates and enabled the College to continue to deliver outstanding education in a rural community.

Malcolm Wharton Centre 2012



College of West Anglia

In June 2009, the College was forced to vacate its workshop block in Kings Lynn due to severe asbestos and fire safety issues. This was a major concern given that the College, as the major training provider of technology skills to young people in King's Lynn and West Norfolk, plays such a vital role in sustaining and supporting the engineering and manufacturing sectors in the local economy. The rest of the College's technology provision was in a 1950's building that required significant refurbishment to bring the facilities to modern standards.



This challenge provided an opportunity to review delivery, much of which was scattered across many buildings on the site and a leased property off campus, and to consider options for improving efficiency. The cost of refurbishing the old buildings to a suitable standard would have cost at least £2m, so demolition and new build were agreed as the most appropriate option. A £5.8m project, to create a new 2,377m² technology centre, was developed with support from Kings Lynn & West Norfolk Borough Council (£1.5m), Norfolk County Council (£1.5m) and the Skills Funding Agency (£940k).



The Technology Centre opened in September 2012, bringing together curriculum areas and learners in one place, and has already seen a 10% increase in applications to full time courses. There is also increased interest in Apprenticeships in Engineering and Electro-Technical trades. Palm Paper, a firm based in Kings Lynn which runs the world's largest newsprint machine, has increased its commercial training work at the College, including a bespoke apprenticeship programme for paper technologists sponsored by the German Chamber of Trade in Gernsbach. In addition, the College has improved operational efficiency and is improving learner satisfaction. This Technology Centre has enabled the College to sell a leased property and reduced space by over 1,000 m².

Tresham's New Corby Campus

Tresham College of Further and Higher Education's Corby campus was made up of 1950s buildings which were no longer functionally suitable. In addition, it had a number of operational issues owing to its state of disrepair and lack of disabled access.



The College proposed a new campus of 13,000m² with the latest vocational facilities for construction, engineering, service industries and sport; workshop space for plumbing and engineering; and a training restaurant along with a base for the college's employer engagement team.

The total project cost of £37.4m was supported by an LSC capital grant of £27m, with sponsorship provided by Snap On Tools, Weldability and the Chartered Institute of Management. To support the cost of the project, the George Street site was sold to the Homes and Community Agency (HCA) and a planning application has been submitted for a mixed development, including 113 dwellings, a multiplex cinema and restaurants which will help regenerate Corby Town Centre.



The new campus opened in September 2011. Between 2010/11 and 2011/12, in all key vocational areas, 19+ engagement recorded an increase of 26% and 16-18s increased by 37%. Apprenticeship numbers increased for both 16-18 by 9% and 19+ by 10%. The number of Level 3 Apprenticeships for 16-18s has doubled, plumbing numbers have also doubled, learner retention has increased and attendance at Open Evenings has increased by 300%. In addition, there have been improvements to space efficiency which has led to a 5% reduction in campus running costs. In November 2012, the project was nominated for a RICS design award and the Environmental Award at the Northamptonshire Business Excellence Awards.

Bolton College

The College's main Manchester Road site was not suitable as it had high maintenance costs and suffered from vandalism, which undermined the College's local profile.



The local vision was to create an education quarter, within the town centre, co-locating the Sixth Form College and Bolton College onto a single site close to the University of Bolton to establish 'Education Zone'.

The £67m College project, enabled by a £58m capital grant, was planned in two years and formed an integral part of the town centre economic and regeneration strategy that included a new health centre and transport interchange. The project included a land swap which was a key element of the local authority's ambition to develop a significant access route into the town centre.

Opened in September 2010, Bolton College occupies 21,000m² of the town centre site which comprises of purpose built accommodation for: visual impairment, business & IT, construction skills, hair and beauty, health, art and design, early years, languages, ESOL, basic skills and student services. It also includes a restaurant, nursery, theatre and dance studios and a shared facility with Bolton Sixth Form College which comprises of a food court, sports hall and fitness suite.



Before the project all the College's accommodation was not 'fit for purpose' but the project has led to 70% of the College's estate being classified as 'excellent'. The welcoming environment has transformed the learner experience: social spaces are well used, learner behaviour has improved and vandalism is almost non-existent. Improved industry standard vocational learning in real work environments have created a positive impact: learner numbers have increased above expectations, retention is at the highest level ever for the College, a 2% increase in 2011/12, and the achievement rates continue to rise.

The new theatre and dance provision has seen a near doubling of numbers and the IT infrastructure has significantly improved system access and provided the ability to work in break out areas at any time. The needs of learners with learning and physical disabilities are fully met, ensuring accessibility to all.

South Thames College

South Thames College has main sites in Wandsworth, Merton and Tooting. Most of the College's learners live locally and three quarters are from socially disadvantaged areas.

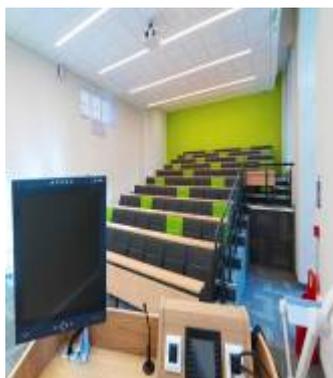
Provision was spread across multiple sites which were in poor condition, inefficiently configured and expensive to maintain.



The College embarked on a major programme of renewal at the Wandsworth Campus, completing a new build phase in July 2009. However, the renewal of the site was only partially completed because the front of the Grade 2 listed Wandsworth campus needed to be modernised to enable it to operate more effectively.

To improve Wandsworth Campus's condition and usage, the building required major refurbishment of the roof, windows, services and the internal layout. Key challenges included linking the old and the new and blending heritage features with the new modern learning environment, relocating provision from a redundant site in Putney, whilst minimising disruption to learners and managing the logistical challenges associated with the 'Red Routes' of Wandsworth High Street. The £27m project commenced in summer 2009 and was completed by the end of 2010.

The new facilities enabled the College to combine provision from the Putney and the Wandsworth sites into a single campus facility. The new campus provides: modern facilities for science, music technology, hair and beauty, performing arts and sports; centralised student services and curriculum; improved access for learners with disabilities and learning difficulties; and is helping to reduce College operating costs.



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