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Leading learning and skills

Tresham Institute  
of Further and Higher Education

# East Midlands Capital Plan 2007-2013

June 2007

Of interest to national, regional and local learning  
and skills colleagues



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# Foreword

## A Flourishing Region, the Regional Economic Strategy and Action Plan 2006-2011 together with the LSC Regional Commissioning Plan 2007-2008, set out the region's priorities for investment in learning and skills.

In order to transform the learning and skills infrastructure and create world-class facilities for individuals and employers, significant capital investment is needed.

Following the publication of the East Midlands Regional Capital Strategy in 2006, this updated plan sets out how the LSC will focus investment in skills and learning infrastructure in order that the region achieves the ambition for skills it has set out in the Regional Economic Strategy.

In order to achieve a world-class skills base for the region, world-class buildings and facilities are required. Inspirational buildings and facilities which attract new learners and employers, improve standards and choice and form a focus for community pride and engagement. Investment in new buildings will be the foundation of programmes to reform the FE system.

We will need to develop locality planning that will provide a broad curriculum of choice for the learner and our future capital strategy must be flexible to meet changing demands. Capital investment is crucial in providing a modern, fit-for-purpose infrastructure to deliver the 14-19 reform programme and the aims set out in the Skills Strategy. It will help take forward the recommendations from the Further Education White Paper and Lord Leitch's review of skills - to create a world-class training infrastructure, creating a more dynamic FE system, providing a more diverse and specialised offer, responsive to the needs and expectations of employers and learners.

The LSC is committed to working with partners across the region to meet the current and future skill needs of our people and businesses. This plan sets out how we will work in partnership with our partners, further education, schools, local authorities, employers and the private sector.

This plan looks to build on the framework for systematic investment in this vital infrastructure and to provide 21st century facilities that will inspire and support learner success. We describe the key policy drivers for investment in learning and skills, and how our investment criteria will support targeted investment for the region.

We have already delivered excellent examples of capital investment in the further education estate in the region and more is currently being built. But there is more to be done. A network of first-class facilities targeted across the region will be required in order to meet the region's ambitions for learning and skills. This plan sets out how this will be achieved.



**Verity Bullough**  
Regional Director, LSC East Midlands

# 1 Introduction

If the East Midlands is to achieve sustainable, inclusive economic growth while becoming a 'Top 20' region in Europe, as outlined in the Regional Economic Strategy, then major contributions will need to be delivered through the skills of the people that live and work in the region.

The further education sector is a major asset to the East Midlands. It contributes significantly to the economic and social health of the region. It provides the skills employers need to be competitive as well as those that support a socially-inclusive and cohesive society. This capital plan aims to support this goal by creating the right infrastructure and buildings in the right places.

The LSC in the East Midlands has ambitious plans for the FE estate, delivering world-class buildings within a context of significant change to prioritise delivery to maximise economic benefit for the region. This context provides the framework for focusing LSC capital investment within the region, meeting the priorities of the region for learning, skills and economic development. Greater impact can be achieved through aligning the capital investment of LSC and emda, where appropriate, in the areas and sectors where we can really make a difference. Capital investment proposals will be considered both within the context of the LSC East Midlands Regional Commissioning Plan, the economic policy context for education and skills and the Regional Economic Strategy.

While most capital investment in the FE buildings is delivered through colleges, we recognise that a vital part of the learning infrastructure is delivered through schools, universities and private training providers. We must, therefore, ensure that investment across the whole sector is uncompromised and aligned to maximise the impact of scarce public resources. The broader responsibilities of the LSC, local authorities and regional development agency must align investment in skills with regeneration of the environment and sustainable community development. This plan includes a working protocol which has been developed with LSC and emda colleagues to enable the aims of alignment of investment to be pursued to better deliver an impact for economic regeneration through the education and skills offer.

This plan will provide a mechanism for the LSC, our partners and providers to work together to agree priorities for investment and to maximise the benefits accruing from major capital development for learners and employers.

Our vision is for the East Midlands to have appropriate places for people to learn within an infrastructure that is capable of supporting skills development and one that is responsive to employers' needs in sustainable buildings, particularly within important economic sectors, will only be achieved if this plan is implemented.

The plan needs to be supported by the delivery of current and future policies that impact on the region. These include: the Skills White Paper, the Education and Training Bill, recommendations of the Leitch Review, the LSC National Statement of Priorities and wider regional priorities including those articulated in the Regional Economic Strategy, the LSC Regional Commissioning Plan and Employment and Skills and Productivity Partnership (ESP).

## 2 National policy drivers

The further education sector faces significant challenges in delivering the requirements of the **Skills Strategy, 14-19 Reform** and **FE White Papers** in order to meet the needs of young people, adults and employers. In particular, the Business Excellence theme aims to accelerate capital investment in the sector to transform learning facilities and to enhance efficiency.

In 2003 research showed that the £300 million we spent on FE capital investment could be linked to a three per cent increase in participation and success rates across the country. More recently, research has found that capital expenditure impacts positively on participation and attainment for both 16-19 year-olds and adults. Capital investment will underpin this agenda by creating the physical environment which supports and equips learners with high-quality skills for productive, sustainable employment and ensures that employers have the right skills for their businesses to improve productivity and innovation and hence succeed in a competitive economy. The learning environment must be world-class, flexible, innovative and with a range of leading specialist facilities that enable employers to recognise the value that can be added within their businesses through investing in training.

The **FE White Paper, Further Education: Raising Skills, Improving Life Chances**, sets out a comprehensive programme to transform the FE system into an efficient and effective powerhouse for economic prosperity and social mobility.

**The Leitch Review, Prosperity for all in a global community - world class skills**, sets out a compelling case for action if the UK is to remain competitive in the global economy. At the heart of the review is the principle of a demand-led system driven by the needs of individuals and employers, focused on equipping individuals and employers with economically valuable skills and able to adapt and respond to quickly changing needs.

Both of these publications focus on transforming our FE system into a model of efficiency, based on choice and need, and cite capital investment as the key tool in equipping young people and adults with the skills, attitudes and qualifications they need to prepare for productive employment. Capital investment is an important part of achieving the key reform principles of the Leitch Review and the FE White Paper. Modern, fit-for-purpose learning environments should be an entitlement for all learners, just as the regenerative benefits that accompany high-quality, high-profile education buildings should be an entitlement for our diverse communities.

Raising our Game, our Annual Statement of Priorities for 2007/08 sets out the **LSC national priorities** and targets and outlines how funding will be invested to meet these priorities and targets. There are four national priorities:

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

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

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

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

Capital investment must, therefore, facilitate the achievement of these objectives by:

- Raising quality and improving choice for learners and employers
- Increasing access to and participation in education and training
- Providing clear progression routes for learners and employers to add value to the local community and economy through higher levels of skills
- Responding to the needs of employers, individuals and the community
- Promoting inclusion and economic well-being
- Enabling the delivery of regional and local plans, responding to local economic regeneration and skills needs
- Developing world-class facilities that are environmentally sustainable
- Enabling specialisation while retaining flexibility to meet future needs
- Ensuring best value for money
- Promoting integration and collaborative working across schools, colleges, higher education, private training providers and employers.

## 3 Regional priorities for the East Midlands

### Economic and social context

The East Midlands region is made up of six counties, Derbyshire, Leicestershire, Lincolnshire, Northamptonshire, Nottinghamshire and Rutland (the smallest county in England). It is geographically the fourth largest region in England, covering 15,607 sq kms and is the third most rural region with 29.5 per cent of the total population living in rural areas. It is a large, active and diverse region, home to an estimated 4.3 million people and over 260,000 businesses. It benefits from its geographical location at the heart of the UK with strong links to London and the South East and to the Northern regions. From the Peak District National Park through the dynamic cities of Derby, Nottingham and Leicester to the Lincolnshire coast and counties of Rutland and Northamptonshire, the region has plenty to offer. However, the region also faces a wide range of challenges, both in urban and rural areas.

The economic core of the East Midlands is the 'Three Cities' sub-area (Nottingham, Derby and Leicester and surrounding areas) where almost half of the population and over 45 per cent of the region's businesses are based. Within this core, there are also extreme pockets of deprivation. Northampton will become increasingly significant as that part of the region undergoes rapid growth and Lincoln plays an important role in driving the economy of Lincolnshire. Together, these urban areas, where most people live and work, are central to improving the region's overall economic performance. The Regional Economic Strategy supports the collective ambitions of the cities as the main drivers of the region's economic growth and activity.

As the third most rural region in England, there needs to be integrated action across both urban and rural areas to recognise and address the diverse range of issues facing rural and coastal areas, from relatively affluent urban fringes to remote areas with lower levels of economic productivity.

Population density in the region varies from around 70 per square kilometre in parts of Lincolnshire to more than 50 times that number in Leicester and Nottingham.

The population aged 15 and over is just over 3.5 million and it is anticipated that by 2020 this will have reached almost 3.9 million. While growth in the adult population is expected to continue increasing steadily throughout this period, the numbers of young people aged 15-19, currently at just over 285,000 are expected to increase to a peak of 292,700 in 2007 and then gradually decline to 260,000 by 2020 (a fall of nine per cent). However, there are local variations to this trend. Specific planned economic development will have an additional impact on the learning infrastructure. The Milton Keynes South Midlands (MKSM) growth area forms part of the National Sustainable Communities Plan. Corby, Kettering and Wellingborough in North Northamptonshire have been identified as three 'growth towns' and, together with Daventry in the south of the county, form part of the MKSM growth area with East Northamptonshire, while Corby has also been identified as a regeneration priority.

The learning and skills estate will respond to the needs of different segments of the population. The East Midlands has an ageing population and an ageing workforce. The biggest groups of the population in need of upskilling are adults who are already in work. Demographic changes mean that the East Midlands is forecast to experience the most significant increase in its pensionable age group of all English regions between 2003 and 2028. By 2028 this age group will make up a quarter of the region's total population. The expected later retirement age means that older people will make up an increasing share of the workforce. This is higher than the national average.

Over the 15 years to 2020, the 15-19 cohort in the East Midlands is projected to decline by around 25,000 (8.9%) with the rate of decline intensifying after 2010.

Level 2 attainment at 16 is improving in the region. Between 2004 and 2006 the proportion of 16-year-olds qualified to Level 2 or higher in the East Midlands increased by three per cent to 51.6 per cent compared to 52.2 per cent nationally. However, there are significant variations within the region. The number of 19-year-olds qualified to a Level 2 in the East Midlands increased by 5.5 per cent to 68.8 per cent compared to a 5.1 per cent increase nationally, although the East Midlands still remains 2.6 per cent below the national picture.

The percentage of young people 'not in education, employment or training' (NEET) in the region currently stands at 6.5 per cent (at January 2007) compared to the national average of 7.5 per cent. The number of young people whose post-16 destination is unknown has fallen significantly from 7.1 per cent in July 2005 to four per cent in January 2007 (five per cent nationally). However, as in most regions, there are significant variations in each area.

The skills levels of adults of working age in the East Midlands are lower than the English average. At the lower end of the skills continuum there is a higher proportion of the working age population without qualifications, or qualified at levels below Level 2. At the higher end, there is a lower than average proportion of the working age population with Level 3 or above. The East Midlands labour market remains one of high employment and relatively low skills levels.

The Skills Strategy published in June 2003 outlined several key skills issues to be addressed if business was to compete internationally and individuals could access the skills that would help them remain employable and to remain personally fulfilled. The Strategy identified a key role for the Regional Skills Partnerships in identifying Level 3 qualifications that were of significant importance to the regional economy.

Subsequently, the regionally important sectors/clusters for the determination of Level 2/3 priorities have been identified as follows:

- High performance engineering/ engineering manufacturing
- Construction
- Health and care
- Transportation, distribution and logistics
- Manufacture of food and drink
- Tourism, leisure and hospitality
- Retail
- Clothing and textiles
- Environmental Technologies
- Pharmaceutical/medical/biotechnology
- Creative industries - or 'new media' / 'technological development'.

Despite employment in knowledge-intensive sectors (employing more than 40 per cent of graduates in their workforce) increasing from 22.9 per cent of total employment in 2001 to 24.3 per cent in 2003, this is still below the UK average.

The proportion of employers reporting skills gaps dropped from 25 per cent in 2003 to 15 per cent in 2005, which is now below the English average. Productivity has increased significantly from 93.9 per cent of the UK average in 1999 to 98.5 per cent in 2004, measured by Gross Value Added per hour worked. This represents an important improvement.

The sectoral mix of employment and the employer structure continues to change. Currently, the health and social care sector, retail and distribution, other business services, education, construction and hotel and catering sectors represent the largest volume of employment in the region.

There has been a shift in the economy towards service sectors, offset by a decline in manufacturing sectors (though the sector remains a major employer in numerical terms). This trend is projected to continue with increasing growth in service sectors such as knowledge-intensive business services and health and social care.

To some degree, learning provision appears to reflect employment sector needs, with the highest volumes and investment in key current employment sectors. Analysis of provision shows a shift towards those sectors, qualifications and levels identified within our regional priorities, but there is more work to be done, particularly at the higher levels.

The tables below show the movement in the amount of LSC FE funding by area of learning between 2004-05 and 2005-06.

Table 1: Full Level 2 by area of learning - 2004-05 (F05 data)

2004-05	Age Band	Area of Learning	Amount of Level 2 Funding £	% of total funding
	16-18	Hairdressing and beauty therapy	6,332,700	19.8
		Health, social care and public services	5,266,174	16.5
		Hospitality, sports, leisure and travel	5,206,451	16.2
		Visual and performing arts and media	3,579,177	11.2
		Engineering, technology and manufacturing	2,805,134	8.8
		Other	8,820,712	27.5
		16-18 Total	32,010,350	100
	19+	Health, social care and public services	4,525,492	21.0
		Hairdressing and beauty therapy	3,681,579	17.2
		Construction	3,472,718	16.1
		Hospitality, sports, leisure and travel	2,414,453	11.2
		Business admin, management and professional	2,225,807	10.4
		Other	5,183,434	24.1
		19+ Total	21,503,484	100

Table 2: Full Level 2 by area of learning - 2005-06 (F05 data)

2005-06	Age Band	Area of Learning	Amount of Level 2 Funding £	% of total funding
	16-18	Hairdressing and beauty therapy	7,578,056	18.3
		Health, social care and public services	6,319,214	15.3
		Hospitality, sports, leisure and travel	5,446,203	13.2
		Construction	4,653,352	11.3
		Engineering, technology and manufacturing	3,837,058	9.4
		Other	13,392,851	32.5
		16-18 Total	41,226,734	100
	19+	Construction	5,593,203	21.4
		Hairdressing and beauty therapy	4,252,265	16.3
		Health, social care and public services	4,171,470	16.0
		Engineering, technology and manufacturing	3,859,588	14.8
		Business admin, management and professional	2,323,553	8.9
		Other	5,905,305	22.6
		19+ Total	26,105,385	100

Table 3: Full Level 3 by area of learning - 2004-05 (F05 data)

2004-05	Age Band	Area of Learning	Amount of Level 3 Funding £	% of total funding
	16-18	Visual and performing arts and media	13,157,863	22.1
		Health, social care and public services	9,511,483	16.0
		Hospitality, sports, leisure and travel	7,034,357	11.8
		Information and communication technology	3,933,973	6.6
		Land based provision	2,137,810	3.6
		Other	7,133,491	11.9
		Aims not 100% of Full Level 2 or Level 3	16,682,078	28.0
		16-18 Total	59,591,056	100
		19+	Health, social care and public services	5,232,542
	Visual and performing arts and media		2,918,247	16.5
	Business admin, management and professional		2,055,683	11.7
	Hairdressing and beauty therapy		1,631,468	9.3
	Engineering, technology and manufacturing		1,069,094	6.1
	Other		4,087,353	23.2
	Aims not 100% of Full Level 2 or Level 3		565,837	3.2
	19+ Total		17,560,224	100

Table 4: Full Level3 by area of learning - 2005-06 (F05 data)

2005-06	Age Band	Area of Learning	Amount of Level 3 Funding £	% of total funding	
	16-18	Visual and performing arts and media	16,423,119	24.6	
		Health, social care and public services	10,057,021	15.1	
		Hospitality, sports, leisure and travel	7,529,208	11.3	
		English, languages and communication	5,264,398	7.9	
		Information and communication technology	4,859,825	7.3	
		Other	22,499,232	33.8	
		16-18 Total	66,632,804	100	
		19+	Health, social care and public services	5,099,946	22.5
			Visual and performing arts and media	3,269,625	14.6
	Humanities		2,698,478	12.0	
	Business admin, management and professional		2,146,611	9.5	
	Hairdressing and beauty therapy		1,601,577	7.1	
	Other		7,703,473	34.3	
	19+ Total		22,519,710	100	

The shift in FE provision towards priority areas is demonstrated by the increases in LSC funding directed towards construction, engineering and technology manufacturing in absolute terms and as a proportion of overall investment.

The provider base in the region has undergone significant change and rationalisation over the past five years. There are seven small, one medium-sized and six large and three very large general FE colleges in the region together with one Tertiary college, 2 land based colleges and 4 Sixth form colleges, 3 of which are in the unitary authority of Leicester City and one in Nottinghamshire.

Issues have been identified in the delivery of the Adult Entitlement across certain parts of the region, particularly in Lincolnshire and Northamptonshire. Many of these relate to outreach, in particular communities and the more remote rural areas. As a result, we are actively moving towards an equitable distribution of our revenue funding to reflect the needs across all communities in all areas of the region. This will increase funding pressures on those providers operating in areas with relatively high proportions of adult funding.

With the shift in priorities, adult funding policy will redirect public funding, partly through increasing the contribution of employers and individuals to learning costs, so that more Level 2 and Skills for Life learning can be supported through public funds in line with priority targets. Colleges will, therefore, need to increase fees and to consider their roles in the offer of provision which does not meet LSC targets and priorities. Funding has been safeguarded for Personal and Community Development Learning (PCDL). The safeguard will cover learning for personal development (primarily 'leisure' learning) and family and neighbourhood learning.

Table 5 below demonstrates the movement in LSC FE funding by qualification level:

Table 5: Highest Notional Level - 2004-05 to 2005-06 (F05 data)

Year	Age Band	Level 2	Level 3	Other	Level 4, 5 or higher	Level 1 and entry	Total Funding	Total Learners
		£	£	£	£	£	£	
2004-05	16-18	49,122,938	95,132,491	968,650	370,853	27,452,947	173,047,879	53,215
	% funding	28.4	55.0	0.6	0.2	15.8	100	
	19+	49,025,397	43,762,288	8,082,237	3,517,481	63,019,923	167,407,326	315,500
	% funding	29.4	26.1	4.8	2.1	37.6	100	
2005-06	16-18	58,726,680	104,429,983	944,794	195,153	30,064,300	194,360,910	51,971
	% funding	30.2	53.7	0.5	0.1	15.5	100	
	% change	+1.8	-1.3	-0.1	-0.1	-0.3	12.3	-2.3
	19+	49,555,875	40,597,454	6,630,469	3,510,155	53,386,162	153,680,115	240,259
	% funding	32.2	26.4	4.3	2.3	34.8	100	
	% change	+2.8	+0.3	-0.5	+0.2	-2.8	-8.2	-23.8

The movement in funding from 19+ into 16-18 FE provision can be clearly demonstrated in the table above, which identifies an 8.2 per cent reduction in the adult budget between 2004-05 and 2005-06 offset by a 12.3 per cent increase in 16-18 funding. Significant movement away from other provision in both the 16-18 age group (-2.5%) and 19+ age group (18%), in line with the changes in funding priorities, is also demonstrated.

Changes in the structure of provision offered to young people in response to national 14-19 policy has resulted in increased partnership provision, creating a new form of collaborative provider infrastructure. This substantiates the need for collaborative capital plans for the 14-19 phase of learning in order that capital investment through the LSC, DfES, Building Schools for the Future, and other funding sources, supports such developments. This will be particularly important for those partnerships which will be delivering the first Diplomas. An example of this collaborative capital planning is Ashfield School in Nottinghamshire where a 14-19 centre jointly funded by the local authority, LSC, the school and other agencies is currently being built.

Across the region there is a range of specialist facilities including centres of vocational excellence and specialist schools with further regional centres of excellence planned. These are detailed in Tables 13 and 14 in Annex B of this plan.

Capital developments need to support specialist facilities that form an integrated network aimed at addressing the overall skills needs of the region and, in particular, progression through foundation degrees and higher level qualifications.

### Regional priorities

The 2006-2020 Regional Economic Strategy, which collectively has been endorsed by all regional partners sets out a number of priorities, underpinned by three main themes:

- Raising productivity: enabling our people and businesses to become more competitive and innovative
- Ensuring sustainability: investing in and protecting our natural resources, environment and other assets such as infrastructure
- Achieving equality: helping all people to realise their full potential and work effectively together to enrich our lives and our communities.

This is the region's economic strategy, and as such 'Raising Productivity' is the primary theme. But, in order to achieve our vision of a flourishing region, we must also address the other two themes. Within the three main themes, there are ten strategic priorities, which are shown at annex D.

The LSC also has a number of specific priorities on which it will deliver for the region. The LSC East Midlands priorities for 2007/08 are set out in the Regional Commissioning Plan 2007/08. The full text is available at:

[www.lsc.gov.uk/eastmidlands](http://www.lsc.gov.uk/eastmidlands)

## 4 Planning and operating protocol

The priorities can be summarised as:

### For young people

- To increase the engagement of young people in learning and reduce numbers 'not in education, employment and training'
- To increase the attainment of young people at Level 2 and at higher levels.

### For adults and employers

- To ensure that all adults have the foundations for employability, which we see as Skills for Life and a first Level 2 qualification
- To increase the attainment of higher level skills by adults to meet the changing needs of the economy
- To put employers centre stage.

### For the provider network

- To strive for excellent, high quality and responsive provision.

### For economic development

- To improve the effectiveness of LSC engagement as an expert on learning and skills in the economic development and regeneration arena
- To promote inclusion and support sustainable communities through learning and skills.

Proposals for capital investment must demonstrate the ability to make a significant contribution to a range of these priorities. More detailed criteria, against which proposals will be assessed, are provided at sections 5 and 6 of the plan.

The LSC has developed a system of capital investment appraisal in line with HM Treasury Green Book guidelines, and these will continue to apply consistently across the organisation.

However, if we are to deliver targeted funding across the LSC and through partner organisations, we must be clear about the integration of investment within the learning and skills infrastructure. As a result, we have developed a working protocol jointly with emda under which investment in the FE infrastructure will be joined up in a way that avoids duplication, provides clear outputs and maximises the impact of our investment.

We will:

- Work together in the development of the Infrastructure strategy for the post-16 learning and skills sector
- Improve the planning associated with delivering an infrastructure to support skills development in key geographical or sectoral areas
- Exert a forceful influence on other funders to further maximise investment
- Speed up and focus infrastructure development in the areas where there is likely to be the highest impact
- Create trust and understanding between the way in which both the LSC and emda plans its activities and investment support
- Help both organisations to fulfil their respective strategic aims.

This working protocol does not extend to the point of pooling funding, but it does provide an opportunity to clarify the areas where investment could overlap, complement or add value to the greater needs of individuals and employers in the region. A copy of the working protocol document is shown at Annex E.

## 5 LSC investment criteria and prioritisation

The LSC has been provided with significant funding by the Government for its capital programme to replace or renew further education buildings. Capital funding is available to support new buildings and the refurbishment of existing buildings for further education (FE) colleges and skills academies, new FE and school 16-19 places through 16-19 capital fund, Personal and Community Development Learning (PCDL), Neighbourhood Learning in Deprived Communities (NLDC), Centres of Vocational Excellence (CoVE) and funding for Information and Learning Technology (ILT) provision.

To secure LSC investment, capital projects must take account of the wider strategy and the principles underpinning the reasons for the investment in the learning infrastructure in the first place. The FE White Paper, Raising Skills, Improving Life Chances, set out the Government's expectation that the LSC's capital resources will be directed to implement the FE component of the 14-19 vision in each locality, as well as delivering its statutory remit for both adult and 14-19 FE provision. Investment is required to meet the challenges of 14-19 reform and the need for the sector to become more responsive to employer and learner demand through specialisation.

The LSC has not needed to prioritise investment in the FE infrastructure so far although this does not prevent demands for resources being greater than those available in the future.

The increased investment through capital budgets therefore may not mean that prioritisation is necessary in the short term purely on financial grounds. However, capital developments still need to be prioritised to ensure that the LSC in the East Midlands focuses support and effort on those projects that have the greatest impact on priorities and objectives.

All capital projects are subject to an assessment based upon the educational rationale, financial viability, affordability, value for money and alignment with property criteria. Any approach to prioritisation of projects would not be a replacement of these important elements of the process. Prioritisation would be applied in order to focus support and urgency on sound projects proceeding for LSC capital support.

Capital projects must take account of the wider strategy and the principles underpinning the reasons for the investment in the learning infrastructure in the first place.

The LSC is seeking both to challenge and to support the FE sector to develop world-class buildings for world-class teaching and learning. Capital projects will, therefore, be assessed against:

- The extent to which they meet local, regional and national objectives and targets, specifically to increase participation for 14-19 learners and to improve choice and skill levels for adults
- Alignment and support local Strategic planning including the recommendations of the local strategic area review and subsequent strategic planning
- Contribution towards the aims and objectives set out in the regional economic strategy and in the delivery of the Regional Skills Partnership objectives (esp)
- The way in which the proposal promotes effective collaboration between schools, colleges and other providers in order to deliver the 14-19 entitlement
- The way the proposals respond to identified employer demand and meet skills needs in those areas of learning highlighted as priority or growth sectors

- The development of a learning environment that is attractive and convenient to learners and employers, offering flexibility of use to meet skills needs both today and in the future
- Educational facilities and buildings that support sustainable development strategies and meet the needs of current learners and employers without compromising the ability of future generations to meet their own needs
- Appropriate specialist provision, taking a regional approach to specialist facilities, ensuring mainstream provision where appropriate and alignment with policies for centres of vocational excellence, skills academies and school specialisms
- Alignment with the East Midlands Strategy for post-16 LLDD and its 11 action priorities across six themes for delivery. These priorities include:
  - Identification of centres of excellence for 16-24 year-olds linking specialist provision and expertise with mainstream vocational and academic learning.
  - Investment in the learning environment - for all new capital proposals to consider the delivery of provision for LLDD. This includes improving access and the learning environment with collaborative proposals between the FE system (inclusive of specialist and mainstream education and training providers) and local authorities being encouraged.
- Contribution towards the LSC's strategy for sustainable development, From Here to Sustainability (2005), placing sustainability principles at the centre of capital investment in order to create an infrastructure that does not damage the environment of today at the expense of communities of the future.

## 6 LSC local capital plans

In future, to qualify for LSC capital funds all capital proposals will need to address sustainable development by:

- Meeting, and preferably exceeding, the requirements of part L of the building regulations
- Ensuring that completed development meets the criteria to achieve excellent Building Research Establishment Environmental Assessment Method (BREEAM) ratings
- Maximising the use of natural lighting and ventilation by using wind and solar power to generate light and heat and rainwater to reduce water usage
- Embedding the principles of sustainability in the design of buildings and building systems.
- Where appropriate the ability to, maximise the impact on local employability by encouraging and supporting contractors to recruit and employ local people
- The extent to which an adequate assessment of risk has been built into the project from an early stage, and can be maintained throughout the project delivery. The LSC will work with providers to ensure that the risks that providers face can be managed effectively with deliverable contingency arrangements in place before projects commence.

Each local LSC has set out its strategic direction in published annual plans. In addition, all local LSCs have published the recommendations made as part of strategic area reviews. It is appropriate that any development of the infrastructure should be assessed to determine the extent to which it contributes to meeting such plans and recommendations.

The LSC, at a national, regional and local level, has specific key targets. These targets are embedded within the regional statement of priorities and in local implementation plans. Therefore, assessment of any capital development must also be assessed against these priorities and plans.

Local capital plans are developed with these key considerations in mind, aligning with the regional capital plan and principles for infrastructure investment. These plans are updated frequently and are dynamic enough to capture and respond to local learner and economic developments.

## Annex A

### Current assessment of the infrastructure

The total FE estate in the East Midlands comprises some 596.5k m<sup>2</sup> across 23 colleges. In addition to this, there are a significant number of outreach facilities, predominantly to meet the needs of local communities, both in the inner cities and in rural areas. Additionally there are eight specialist colleges (catering for those with learning difficulties and disabilities).

Within the East Midlands investment in the FE infrastructure has focused upon replacement or renewal of facilities driven by the demands of learner growth. This growth in learner numbers has included both young people and adults and has resulted in some transformational new buildings. However, significant progress has been made in delivery of world-class standard buildings to the FE infrastructure of the East Midlands. Stephenson College's new campus represents a noteworthy achievement in the region delivering an ambitious project and motivating others in the sector to think ambitiously in developing their capital strategies and giving confidence in the ability of the sector to deliver.

Approval for FE capital developments has been granted at either detailed or approval in principle (AIP) stage for schemes totalling £335 million since 2001, of which approximately £141 million is LSC grant-supported. Recent major developments include The Clowne campus of Chesterfield College, Derby College Roundhouse and Joseph Wright 6th form Centre, relocation and extension of Stephenson College, redevelopment of Leicester College's Abbey Park campus and refurbishment of Freeman's Park and St. Margaret's campuses, redevelopment of Tresham Institute's Kettering campus, rebuilding of Bilborough 6th form College, Castle College's Toyota Academy, redevelopment of Loughborough College's sports and leisure and engineering and technology blocks and a new facility for Northampton College at its Lower Mounts campus. These schemes alone amount to approximately 98,000 square metres of new accommodation, costing around £198 million with £86 million LSC grant

support. Ten other major capital investment projects are currently being developed for submission of application in principle to the LSC by colleges across the region, these being:

- Boston College (Lincs)
- Castle College (Notts)
- West Nottinghamshire College (Notts)
- Chesterfield College (Derbys)
- Northampton College (Northants)
- Tresham Institute (Northants)
- Moulton College (Northants)
- Grantham College (Lincs)
- Brooksby Melton College (Leics)
- New College Nottingham (Notts)

A further two colleges have received approval in principle to develop new campuses and are currently working on their detailed applications. The two colleges are:

- Gateway (Leics)
- South Leicestershire (Leics)

Additionally, nine schools within the East Midlands obtained approval for sixth form centres from the 16-19 capital fund, amounting to £31.5 million in 2006, of which £27.4 million is LSC grant-supported.

To date, the FE sector within the East Midlands has demonstrated ability to deliver high quality projects on budget, with Stephenson College being awarded second prize in the RIBA/LSC Further Education Awards, 2006. We aim to build on this success across the whole of the FE estate in our ambitions to deliver 'world-class' buildings by 2013.

Other than the impressive new buildings we have invested in since 2001, the remaining estate has been assessed as:

- Sometimes in the wrong place relative to the people likely to use them now, or in the future population and employment growth hot spots

- Some compete with other providers or similar areas of curriculum and streamlining of provision required
  - Sixteen colleges have at least 35% excess floor space relative to the LSC's optimum space utilisation guidelines (down from 22 in 2006), with nine having at least 35 per cent excess floor space over the LSC's maximum guidelines
- Having poor or inappropriate buildings which require updating or replacing in line with the vision of world-class buildings for the 21st century
- Many colleges are poorly insulated, so wasting valuable energy resources and imposing increasingly costly operating costs rather than offering environments where extreme ranges in temperatures are controlled by either passive or active means
- Some have an in-built inefficiency as they deliver teaching in poorly-configured listed buildings where planning considerations usually make remodelling and refurbishment more expensive and difficult.

Most of the estate dates back to the 1950/60s, is typical of construction at that time, expensive to maintain, in need of major repairs and nearing the end of its useful life.

Current estimates indicate that approximately 359,000 sq. m. of the region's FE estate (approximately 60 per cent) is either in need of renewal or major refurbishment in order to bring it up to a world-class standard (ref. World Class Buildings: Design Quality in Further Education, March 2005). Therefore, at current indicated building costs a total capital investment in the region of £790 million, depending upon the proportion of refurbishment and rebuild which is undertaken will be required.

This represents an enormous task, to accelerate the rate of development of the learning infrastructure at a time of significant challenge for the sector to demonstrate its ability to deliver the skills improvements required to deliver improvements in productivity for employers to compete in the global economy. We will work with FE providers as they develop their property strategies and capital proposals, to address issues of space utilisation,

### Regional space utilisation and quality assessment

The LSC requires that all college accommodation strategies address issues of space utilisation. The FE estate must comply with the LSC's established space utilisation guidelines (i.e. 10.5 - 14.5 sq. metre per minimum number of workspaces plus additional allowances where appropriate) and that the quality of the estate meets the LSC's requirements for world-class buildings.

The 2006 regional capital strategy showed the estimated over capacity within the East Midlands to be 35.4 per cent. The above table shows that this has reduced by 5.2 per cent in the year as a result of capital projects being completed.

Two further large capital projects are currently under way, and once completed will result in a combined 22 per cent reduction in space over the two colleges, reducing the region's over capacity to 25 per cent.

However, it should be noted that due to growth in learner numbers and movement onto longer courses, some college estates are currently too small for their requirements and need to expand.

Additionally, the estimated warranted maximum estate is based upon regional space utilisation analysis, calculated from college ILR data which does not take account of 14-16, work-based learner or HE on-site daytime learner numbers.

flexibility of accommodation, the demands of new ways of learning and curriculum, affordability and value for money.

Many colleges have become dependent on temporary accommodation in order to service curriculum requirements within the context of a growing 16-18 cohort of learners. This temporary accommodation is expensive to lease and to operate and in many cases the accommodation is long past its anticipated life span providing sub-standard and inappropriate facilities.

The region has a number of historic college buildings which require a greater degree of expertise and commitment to deliver a transformation into flexible fit-for-purpose teaching and learning spaces. While we value the cultural and architectural heritage of these buildings, we must ensure that projects involving such infrastructure are thoroughly investigated to ensure delivery of cost-effective and practical solutions. In such circumstances, compliance with DDA/ SENDA requirements will be a priority.

The tables below summarise the current space utilisation and quality within each local LSC area and across the region:

Table 6: Regional Space Utilisation Analysis

Local LSC	Estimated current FE estate area M <sup>2</sup>	Warranted maximum FE estate area M <sup>2</sup>	Estimated over capacity M <sup>2</sup>	Change from March 2006 M <sup>2</sup>
Derbyshire	100,847	75,843	25,004 (33.0%)	-4,770
Leicestershire	148,653	118,301	30,352 (25.7%)	-1,935
Lincs & Rutland	81,577	63,283	18,294 (28.9%)	+519
Northamptonshire	81,566	72,164	9,402 (13.0%)	-15,416
Nottinghamshire	183,846	128,611	55,235 (42.9%)	+2190
<b>Region total</b>	<b>596,489</b>	<b>458,202</b>	<b>138,287(30.2%)</b>	<b>-19,412</b>

In some cases, college estates may need to grow in the short term to enable space utilisation to be improved in the later stages of delivery of the accommodation strategy.

Table 7: Regional Quality Assessment

Local LSC	Estimated current FE estate area M <sup>2</sup>	Estimated FE area in need of refurbishment or renewal M <sup>2</sup>	Estimated Area that meets World Class Standard M <sup>2</sup>	% still to be completed, (balance to be disposed of)
Derbyshire	100,847	52,744	30,810 (30%)	52%
Leicestershire	148,653	86,330	45,009 (30%)	58%
Lincs & Rutland	81,577	59,976	3,307 (4%)	73%
Northamptonshire	81,566	52,424	19,741(24%)	64%
Nottinghamshire	183,846	107,843	22,848 (12%)	59%
<b>Region total</b>	<b>596,489</b>	<b>359,317</b>	<b>121,715 (20%)</b>	<b>60%</b>

The table above demonstrated the amount of work still to be undertaken in order to bring the East Midlands FE estate up to 21st century standards.

## Annex B

### FE infrastructure investment planning

Tables 8 and 9 below show the cost of approved capital projects within the East Midlands since 2001, broken down by those projects which have been completed and those which are still being built.

Table 8: Completed capital projects (as at May 2007)

Completed capital projects Local LSC	Total cost £	LSC support £	Level of LSC support %
Derbyshire	26,949,773	12,316,751	45.7
Leicestershire	16,385,192	4,491,616	27.4
Lincs & Rutland	9,740,720	3,168,322	32.5
Northamptonshire	45,592,320	12,988,072	28.5
Nottinghamshire	39,939,029	15,098,773	37.8
<b>Region total</b>	<b>138,607,034</b>	<b>48,063,534</b>	<b>34.7</b>

Table 9: Ongoing detailed capital projects (as at May 2007)

Ongoing capital projects - detailed approval Local LSC	Total cost £	LSC support £	Level of LSC support %
Derbyshire	41,760,714	16,700,000	40.0
Leicestershire	65,576,215	33,261,786	50.7
Lincs & Rutland	1,509,194	150,919	10.0
Northamptonshire	0	0	0
Nottinghamshire	13,601,000	4,605,000	33.9
<b>Region total</b>	<b>122,447,123</b>	<b>54,717,705</b>	<b>44.7</b>

Table 10 identifies those projects which have received approval in principle from the LSC but are awaiting detailed applications to be submitted. The level of LSC grant support required for these projects will be re-assessed once detailed applications have been received.

Table 10: Approval in Principle projects (as at May 2007)

Capital projects with Approval in principle Local LSC	Total cost £	LSC support £	Level of LSC support %
Derbyshire	6,000,000	0	0
Leicestershire	68,139,524	38,722,354	56.9
Lincs & Rutland	0	0	0
Northamptonshire	0	0	0
Nottinghamshire	0	0	0
<b>Region total</b>	<b>74,139,524</b>	<b>38,722,354</b>	<b>52.2</b>

The tables above demonstrate that the average level of LSC grant support required is increasing as the 'affordable' and less complex projects have been completed. Colleges become more reluctant to co-invest through borrowing due to the uncertainty of future income.

East Midlands colleges have taken out borrowing against capital projects with a current value of £54.6 million.

All projects are subject to the LSC's detailed affordability assessment. In particular, for colleges in financial health category C, it is anticipated that levels of capital support will need to be higher, though projects will only be supported if colleges can demonstrate financial stability leading into capital development. For colleges with greater financial stability, disposable assets and the ability to service higher levels of secured borrowing, capital support is likely to be lower, although this is limited when project values reach very high levels.

Since 2001 £62.3m of disposal proceeds from sale of surplus land has been used by colleges in the region towards the cost of their capital projects.

## Potential future capital requirements

The table below shows an estimate of future capital requirements for the East Midlands in order to bring the estate up to world-class standards. Discussions are continuing with local LSCs, colleges, schools and local authorities regarding future requirements.

Table 11: Estimate of future capital requirements

LSC	Projects in development (in discussion with LSC) £m	% support requested (based on college estimates)	Undeveloped future projects anticipated £m	% support requested (based on college estimates)	Known/potential school developments £m
Derbyshire	22.00	35	30.00	90	10.00
Leicestershire	45.94	52.56	34.00	64.71	4.00
Lincs & Rutland	70.00	67.14	58.02	35.85	10.50
26.00	77.80	56.04	62.00	63.55	26.00
Nottinghamshire	183.46	57.44	68.06	54.69	5.80
<b>Total East Mids</b>	<b>399.20m</b>	<b>57.07</b>	<b>252.08m</b>	<b>58.08</b>	<b>56.30m</b>

Although existing expenditure will have a major impact on the FE estate this is only the beginning. In addition to those projects which have already received LSC approval in principle, further expenditure of around £707 million is estimated to be required in order to move the whole estate to world-class standard and to achieve the objective of renewing the estate by 2013. While this is seven years away, the lead time and build time of major projects dictates that contracts will need to be in place and site ready by 2008-11 in order to meet this ambitious target.

Our estimates of future capital expenditure include £18 million for specialist colleges and £56 million for school developments.

It would be unrealistic to expect that 100 per cent of the FE estate to be 100 per cent world-class within the lifecycle of this plan. While this remains an aspiration, the reality of providers' priorities will result in some adequate college buildings and floor space remaining unaltered.

The ability of the LSC and its partners to deliver the improvements required will depend on the ability of providers to confidently commit to what is, in effect, one of the most significant developments that governing bodies will ever undertake.

The external funding climate, the availability of funding from both public and private sources and colleges' ability to attract such funding will be a critical success factor in delivering the stable income streams required to service long-term debt associated with capital projects.

LSC funding policy in relation to capital grants will also be critical, determining the extent of risk that colleges consider to be inherent within the current guidelines and how these relate to the wider economic climate. The sector's ability to borrow and to realise disposal proceeds alongside the use of built-up reserves will be tested to levels not experienced before, but the prize of successful developments operated by successful providers is too great an opportunity to miss.

The level of LSC grant support on projects approved to date is 44.7 per cent within the region but it is expected that this will rise as projects become more costly, more challenging and opportunities to realise disposal proceeds and raise debt finance diminish.

An approximate profile of capital spend required to support this strategy is set out at Table 12 below.

Table 12: Anticipated Capital Spend 2007-2014

Year	2007-08 £m	2008-09 £m	2009-10 £m	2010-11 £m	2011-14 £m	Total £m
Current projects	23.2	23.7	23.2	0	0	70.1
Approval in Principle	10	39.06	25.08	0	0	74.14
Known projects in developments	6	81.38	146.82	129	36	399.20
Undeveloped projects	2.02	41.06	69.5	74.5	65	252.08
School projects	3.25	26.15	14.4	12.5	0	56.3
<b>Total</b>	<b>44.47</b>	<b>211.35</b>	<b>279</b>	<b>216</b>	<b>101</b>	<b>851.82</b>

### Current specialist facilities

Across the learning and skills sector there is a range of specialist facilities available to support the skill needs of sectors. Ideally, these specialist facilities should form an integrated network of facilities aimed at addressing the overall skills needs of the region.

Table 13 provides details of the network of CoVEs that has been established within the region over recent years. The initial focus for CoVEs was to support workforce skills at Level 3 and above. Recently the remit has been widened to encompass provision at Levels 1 and 2 and they are now required to engage actively in supporting the delivery of provision as part of the 14 to 19 agenda.

Table 13: East Midlands Network

Area of Learning	CoVEs	Sector Skills Council
Business, admin, management, professional	<ul style="list-style-type: none"> <li>Accounting</li> <li>Supervisory management skills</li> </ul>	<ul style="list-style-type: none"> <li>Financial services skills</li> <li>Sector Skills Development Agency</li> </ul>
Health, social care, public services	<ul style="list-style-type: none"> <li>Early Years</li> <li>Early Years</li> <li>Childcare and early years development</li> <li>Health and care</li> </ul>	<ul style="list-style-type: none"> <li>Children's Wk/f Dev Council</li> <li>Workforce development</li> <li>Workforce development</li> <li>Skills for care/skills for health</li> </ul>
Land based service engineering	<ul style="list-style-type: none"> <li>Land based service engineering</li> <li>Land based industries</li> </ul>	<ul style="list-style-type: none"> <li>SEMATA/LANTRA</li> <li>LANTRA</li> </ul>
Hospitality, sports, leisure, travel	<ul style="list-style-type: none"> <li>Travel and tourism</li> <li>Fine dining</li> <li>Sports science, exercise and fitness</li> <li>The Nottingham Academy of Hospitality and Catering</li> <li>Catering and hospitality</li> </ul>	<ul style="list-style-type: none"> <li>People 1st/GoSkills/CCI</li> <li>People 1st</li> <li>Skills Active</li> <li>People 1st</li> <li>People 1st</li> </ul>
Visual, performing arts, media	<ul style="list-style-type: none"> <li>Design practice</li> <li>Print skills</li> </ul>	<ul style="list-style-type: none"> <li>Skillset/CCI Skills</li> <li>Proskills</li> </ul>
Retailing, customer service, transport	<ul style="list-style-type: none"> <li>Logistics</li> <li>Retail</li> </ul>	<ul style="list-style-type: none"> <li>Skills for logistics</li> <li>Skillsmart Retail Ltd</li> </ul>
Information, communication, technology	<ul style="list-style-type: none"> <li>IT</li> </ul>	<ul style="list-style-type: none"> <li>E -skills</li> </ul>
Engineering, technology, manufacturing	<ul style="list-style-type: none"> <li>Electrical energy</li> <li>Multi skilling and maintenance</li> <li>Fluid power technology</li> <li>North Nottinghamshire College Food</li> <li>Airport operations and aircraft eng</li> <li>Lean engineering manufacture</li> <li>Motor vehicle</li> <li>Motorsport and performance engineering</li> <li>food manufacture</li> <li>The Engine-Advanced Design and Manufacturing Centre</li> </ul>	<ul style="list-style-type: none"> <li>Energy and utility skills</li> <li>SEMATA</li> <li>SEMATA</li> <li>Improve</li> <li>SEMATA</li> <li>SEMATA</li> <li>Automotive skills</li> <li>SEMATA</li> <li>Improve</li> <li>SEMATA</li> </ul>
Construction	<ul style="list-style-type: none"> <li>Construction</li> <li>Construction-'Constructing Excellence'</li> <li>Construction craft technical and professional skills</li> </ul>	<ul style="list-style-type: none"> <li>Construction skills</li> <li>Summit skills</li> <li>Construction skills</li> </ul>

## Annex C

Regional centres of excellence for LLDD, retail, food and entrepreneurship are also planned.

In addition to these facilities, a large number of secondary schools have specific subject specialisms and the distribution of these is detailed in Table 14.

Table 14: East Midlands Specialist Schools

Subject specialism	Number of Schools
Sports	34 including 3 schools with combined specialisms
Technology	71 including 2 schools with combined specialisms
Business and Enterprise	22 including 2 schools with combined specialisms
Engineering	11 including 2 schools with combined specialisms
Science	30 including 4 schools with combined specialisms and 2 schools with this as a second specialism.
Arts	45 including 3 schools with combined specialisms and 5 schools with Art as a second specialism.
Languages	21 including 2 schools with combined specialisms and 4 schools with this as a second specialism.
Maths and Computing	20 including 2 schools with combined specialisms and 1 school with this as a second specialism.
Humanities	5 including 3 schools with combined specialisms and 1 school with this as a second specialism
Music	2 schools including 1 school with combined specialisms

In addition, many of the current and proposed academies have a specialism. As part of the agreement to establish these academies, the DfES requires that the specialisms they propose to develop are consistent with the needs of the area.

It is essential that a coherent approach is undertaken to the further development of specialist provision within the region. This will require enhanced dialogue among funders and other stakeholders to ensure that new capital developments do not have an inadvertently destabilising effect on the existing infrastructure.

### The national capital budget

#### National budget

In order to deliver the ambitious programme of reform, our capital budget will rise to just under £500 million in 2007-08. On top of this, the Government has announced additional capital funds of:

- £100 million in 2008-09
- £250 million in 2009-10
- £250 million in 2010-11

The capital budget is retained and managed nationally by the LSC and full details of available funds and key national priorities for their allocation are detailed in the

national capital strategy. The table below sets out details of the main capital funds that are available nationally for the current year and projections up to 2010-11 taking into account the outcome of the SR2004 for the period 2005-06 to 2007-08 and the new 16-19 capital fund to be administered by the LSC. It has been assumed that funds for enhanced skills-related activities from 2007-08 would be found from the CoVE and FE lines.

Table 15 below shows the LSC capital contribution towards the total cost of capital projects. At 50 per cent support, this budget would provide for £1.5 billion capital works by 2010-11.

Table 15: LSC National Capital Funding Summary 2007-08 to 2010-11 (estimated)

Budget heading	2007-08 £'million projected	2008-09 £'million notional	2009-10 £'million notional	2010-11 £'million notional
FE capita/skills academies	270	270	270	270
16 to 19 capital fund*	180	180	180	180
ACL** capital	10	10	10	10
NLDC***	8	8	8	8
CoVE **** capital	30	30	30	30
Additional FE capital - 2006 budget	0	100	250	250
<b>Total main capital budgets</b>	<b>498</b>	<b>598</b>	<b>748</b>	<b>748</b>

\* New 'Sixth Form' Institutions arising out of area inspections or strategic area reviews

\*\* Adult and community learning

\*\*\* Neighbourhood learning in deprived communities

\*\*\*\* Centres of vocational excellence

### East Midlands requirements

Table 12 at Annex B above shows the anticipated capital spend within the East Midlands from 2007-2014. The substantial budget demand during the period 2008-09 to 2011 aligns with the anticipated increases in the national budget over the same period. This should help avoid the need for prioritisation over this period of peak demand.

Grants will be allocated after careful consideration of our regional capital plan. This will ensure that our capital programme supports local capital plans and targets in the areas, both urban and rural, where regeneration is most needed.

The tables at Annex B demonstrate the upward movement in the average level of LSC grant support as follows:

- Completed projects - 30.7 per cent
- Ongoing projects - 44.7 per cent
- AiP projects - 52.2 per cent
- Future projects (college estimates) - 57 to 58 per cent.

The LSC will continue to assess all capital applications on affordability to determine the level of grant support.

Colleges will be expected to contribute towards the cost of their capital build. However, the level of college contributions will be determined by:

- Their ability to borrow funds. Colleges will be expected to borrow sufficient funds. For colleges in financial health group A or B the expected borrowing level would be 30-40 per cent of total income by the third year after substantial completion of the project. For colleges in health group C, with recovery plans in place, the expected level of borrowing would be lower at 15-25 per cent. However the overriding consideration is affordability and the LSC will consider in each case whether the college is able to borrow more or less than is indicated by these normal ranges. However, many colleges have already used their borrowing capacity on early phases of major renewal. Later phases of projects will, under current rules of affordability, look to the LSC for higher levels of capital support
- Their ability to sell surplus land and buildings. However, realising disposals is causing problems among a number of East Midlands' colleges where the timescale for disposals or the financial value has not been realised. This in turn causes significant financial difficulties and delays

- Their level of reserves. Colleges will be expected to use reserves to help fund their projects. Within the East Midlands, the level of colleges' net current assets shown in the financial forecasts for 2006-09 stood at £26.1 million in 2006 and was forecast to drop slightly to £25.79 million in 2007
- Their ability to lever funding from private sector investment or co-investment with other public sector organisations. The LSC recognises the benefits of co-investment including those involved in urban regeneration through emda and urban regeneration companies.

The further education capital budget, with the exception of CoVES, covers all aspects of capital expenditure against the affordability criteria. Currently, specialist colleges can also apply for capital funding from this budget provided that the LSC regularly provides 50 per cent or more of their annual revenue.

Nationally, since April 2001, projects worth £4.63 billion have been approved and grants of £1.80 billion made. Approximately half of the national FE estate has been renewed or modernised since college incorporation in 1993.

Table 16 below shows the number of FE projects approved in the East Midlands compared to the picture nationally.

Table 16: FE projects approved

	Projects approved since 1 April 2001		Projects approved since 1 April 2006	
	Nationally	East Midlands	Nationally	East Midlands
Number of projects	632	50	94	10
Total cost	£4.63 billion	£138.61 million	£1.49 billion	£196.59 million
Average cost per project	£7.32 million	£2.77 million	£15.80 million	£19.66 million
Total LSC grant support	£1.80 billion	£48.06 million	£0.78 billion	£112.89 million
Average LSC grant support per project	£2.85 million	£0.96 million	£8.32 million	£11.29 million

The 16-19 capital fund is intended to help fund the capital costs of the outcomes of 16-19 competitions, the cost of new 16-19 school or college places arising from school and FE 16-19 presumptions, increased participation, area-wide reorganisation to raise standards and/or promote choice and new sixth forms where there is little choice of high-quality sixth form provision.

This budget will not cover the modernisation needs of sixth forms in schools, schools in the 'Building Schools for the Future' programme, the 16-19 element in 11-19 city academies or FE college modernisation schemes with a 16-19 element not specifically addressing area wide reorganisation or increasing participation. The LSC will not fund separate 14-16 vocational provision on school, college or other sites unless this is incidental to main FE purposes on college sites.

The CoVE capital budget programme will build on existing best practice, shift from a supply-led to a demand-driven model and build a coherent, responsive skills supply system that industry is prepared to invest in to drive up future skills demand. The LSC is developing a new standard for employer responsiveness and vocational excellence which is expected to roll out in 2007. Providers gaining this accreditation will have priority access to capital funding.

## Annex D

### Regional economic strategy - strategic priorities

Strategic priorities	Aim
Employment, learning and skills	To move more people into better jobs in growing businesses
Enterprise and business support	To become a region of highly productive, globally competitive businesses
Innovation	To develop a dynamic region founded upon innovation and knowledge focused businesses competing successfully in a global economy
Transport and logistics	To improve the quality of regional infrastructure to enable better connectivity within and outside the region
Energy and resources	To transform the way we use resources and use and generate energy to ensure a sustainable economy, a high quality environment and lessen the impact on climate change
Environmental protection	To protect and enhance the region's environment through sustainable economic growth
Land and development	To ensure that the quality and supply of development land, and balance between competing land uses, contributes towards sustainable growth of the regional economy
Cohesive communities	To increase life chances for all, leading to stronger and more cohesive communities, a dynamic society and a stronger economy
Economic renewal	To ensure all people and communities have the opportunity to create new and sustainable economic futures
Economic inclusion	To help overcome the barriers, or market failures, that prevent people from participating fully in the regional and local economy

## Annex E

### Working protocol: LSC, East Midlands/emda

#### Working protocol: East Midlands learning and skills infrastructure

*Initial working draft: discussion document*

#### Introduction

The development of the East Midlands regional capital strategy has presented an opportunity for the LSC and emda to work effectively together to maximise their combined impact in the region. This requires a clear agreed working protocol which is specific to investment in the post-16 learning infrastructure to meet the many challenges for raising skills levels in the region.

This document focuses on the opportunities to align resources to meet the joint aims outlined in the regional economic strategy and the LSC's regional statement of priorities around 'Improving the infrastructure and responsiveness of skills supply'.

#### Background

The East Midlands regional economic strategy provides clear actions to 2020 to ensure that the region delivers its full potential. This strategy provides many areas where the investment made by both the LSC and emda could be aligned to maximise leverage.

In particular, the 'raising productivity' theme offers areas where together the LSC and emda can add greater value than if they worked alone. In tackling employment, learning and skills the educational infrastructure will play a pivotal role in ensuring that the region's FE and HE provision provides the flexibility and facilities to afford access and availability of quality relevant learning.

The Learning and Skills Council (LSC) is the primary gap funder of further education college capital building projects and will spend in excess of £450million over the next five years. The LSC's budgets are, however, restricted within clear guidance which does not always provide the flexibility required to meet wider objectives aside from key property, cost and financial criteria.

### Scope of the relationship

Emda and the LSC in the East Midlands already have a strong partnership ethic, working at many levels and, in particular, through the esp. The LSC and emda share a common goal in delivering economic competitiveness through raising the skills levels of East Midlands' people. The delivery of both FE and HE within the FE sector is a key element of improving skills in the region

Strong partnership working in the development of this infrastructure should enable the two organisations to:

- Work together in the development of the Infrastructure strategy for the post-16 learning and skills FE sector
- Improve the planning associated with delivering an infrastructure to support skills development in key geographical or sectoral areas
- Exert a forceful influence on other funders to further maximise investment
- Concentrate infrastructure development in the areas where there is likely to be the highest impact
- Effectively plan both the LSC and emda investment support
- Enable both organisations to fulfil their respective strategic aims.

### Strategic and operational delivery

This protocol will enable both organisations to plan jointly against the background of respective organisational strategic aims and objectives. This will be achieved by:

- Regular meetings between representatives with responsibility for infrastructure development from both the LSC and emda
- A shared development of the LSC-led regional capital strategy for the 2007-08 planning year and subsequent longer term planning
- Emda representation on the LSC regional board's sub group for capital development and strategy
- Clarification of the role of both LSC and emda funding to ensure maximisation of resources and to avoid overlap of funding
- Joint identification of potential developments that have the potential to meet a wider learning and skills objective through joint investment
- Early integrated working between LSC/college and emda in the development of the project to ensure the embedding of the wider economic development agenda.

This working protocol does not extend to the point of pooling funding, but it does provide an opportunity to clarify the areas where investment could overlap, complement or add value to the greater needs of individuals and employers in the region. (see Annex B).

### Contacts and meetings

Meetings between the LSC East Midlands and emda will take place no less than quarterly. Meetings outside the regular quarterly meetings will be determined by prevailing factors at the time and will be agreed between the LSC East Midlands and emda.

At sub regional level it is expected that the SSPs will continue their working relationships with the principals of their local FE institutions and will make the connections back to emda via the skills strategic development manager.

Emda will also brief the relevant SSP on the discussions held with the LSC on major capital investments.

## Annex F

### **East Midlands development Agency (emda) investment criteria**

Emda has adopted a two-stage project appraisal process for considering any project seeking financial support from the agency.

The first stage of this process is an expression of interest which will be appraised to consider whether it is to be invited to proceed to the full appraisal stage. At this stage emda will consider how well the project will contribute to its strategic priorities and whether it appears to offer good value for money.

If approved at this initial assessment stage, the project will be passed for full appraisal.

A copy of emda's expression of interest form and associated guidance is available on the emda website at [www.emda.org.uk](http://www.emda.org.uk)

### **Further information**

Further information about the LSC's capital programme can be found in the publications section of the LSC website [www.lsc.gov.uk](http://www.lsc.gov.uk), including:

1. Building for Skills - A prospectus for the LSC's capital programme
2. LSC capital handbook, which sets out technical guidance on how providers can access LSC capital funding
3. East Midlands Strategy for post-16 LLDD
4. East Midlands regional commissioning plan
5. East Midlands quality improvement plan

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