

# LSC Capital Handbook

**November 2006**

Of interest to further education providers, external institutions, specialist colleges, higher education providers, local authorities, schools and all other Post-16 providers.

### **Further information**

For further information, please contact the appropriate Learning and Skills Council office. Contact details for each office can be found on the LSC's website ([www.lsc.gov.uk](http://www.lsc.gov.uk)).

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This document should be retained and used as a handbook to access LSC capital funding.

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# LSC Capital Handbook

## 1 Introduction

1.1 This handbook updates the arrangements for the administration, assessment and determination of applications to the Learning and Skills Council (LSC) for consent and capital support. It consolidates all general capital guidance provided by the LSC for further education (FE) sector providers and other providers for which the LSC provides capital funding. This handbook replaces the previous Capital Handbook-Circular 03/13.

1.2 This handbook is divided into a number of different components comprising general guidance on all areas of LSC capital policy and capital grant support arrangements. It also has a series of annexes providing more detailed guidance on specific areas of capital policy. In addition, Annex E contains all the forms for obtaining capital funding, and the associated guidance can be found in Guidance Notes A–D. The previously published 16-19 Capital Fund Guidance should also be regarded as a supplement to this handbook.

## 2 Capital overview

2.1 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. This reflects the leadership role of local authorities (LAs) in delivering 14-19 reform and the intention to extend the Building Schools for the Future vision to cover all settings in which young people learn. In this context, the LSC is seeking to both challenge and support the FE sector to develop world-class buildings for world-class teaching and learning. Since incorporation in 1993, about half (3 million m<sup>2</sup>) of the projected size of the FE estate (6 million m<sup>2</sup>) has been renewed or modernised. In 1993 the condition of the FE estate was very poor with less than 5 per cent of the estate classed as excellent. This has risen to about 50 per cent with the percentage of excellent quality floorspace currently rising at about 7 per cent a year at the current rate of modernisation and renewal.

2.2 Following completion of the LSC's strategic area review (StAR) process in 2004-05, the estimated capital investment to complete the renewal and modernisation of the FE estate over a five-year period amounted to

around £5 billion. Further upgrading and extending the sector and other investment necessary to meet the challenges of 14-19 reform and the skills agenda is likely to increase this figure.

2.3 Based on the additional capital funding for 2008-10 announced in the 2005 budget, if this level of funding continues and most of it continues to be directed to the FE sector, the LSC estimates that the renewal and modernisation of the FE estate could be substantially completed by 2013-14. But, around 50 per cent of the FE estate mostly dating from the 1950s and 1960s still requires renewal, is inefficient and hinders flexible, high quality delivery. In addition, enhanced investment is required to meet the challenges of 14-19 reform and the need for the sector to respond to the call for more responsiveness to employer and learner demand through specialisation.

2.4 The LSC's 16-19 Capital Fund came into operation on 1 April 2006 with funds of £120 million for 2005-06 and £180 million for 2007-08. It combines Department for Education and Skills (DfES) former Basic Need funds for 16-19 provision and the LSC's 16-19 rationalisation funds to create a single capital fund administered by the LSC. It is intended to help fund the capital costs of the outcomes of 16-19 competitions and support the cost of **new** school or college 16-19 places arising from school and FE 16-19 presumptions, increased participation and reorganisation to raise standards and/or promote choice.

2.5 In this handbook, mainstream capital funding for FE colleges has been relabelled '*FE capital funding*' to avoid any confusion with the other capital funding streams that are available to colleges and other providers. The arrangements for the assessment and approval of capital applications continue in generally the same format as outlined in previous capital circulars. There are changes to the LSC's capital projects criteria and the format of the capital application and forms. These changes are explained later in this handbook.

## 3 National and regional capital strategies

3.1 Each region of the LSC has developed a capital strategy that reflects the national capital strategy and sets out how the LSC intends to use resources devoted

to improving the physical learning environment in the learning and skills sector within each region. Regional capital strategies and local capital plans have been developed, in consultation with regional and local stakeholders, to provide a unified context for the promotion, assessment and delivery of providers' capital projects in such a way as to maximise their educational and training benefits and to help the LSC achieve its corporate objectives and priorities at national, regional and local level.

3.2 The 2006-07 regional capital strategies and local LSC capital plans from 2006-07 reflect the outcomes of StARS and reflect the priorities of regional FE and other strategies and the complementary strategies of key stakeholders such as regional development agencies, LAs, local regeneration companies and other agents for change.

3.3 The strategies match capital strategy development to the LSC's business cycle. The first regional capital strategies were prepared from December 2005 to July 2006. It is anticipated that the strategies will be reviewed and updated on an annual basis to reflect any changes in local circumstances and government and LSC priorities and policies.

3.4 The LSC recognises the benefits of co-investment with other public sector partners, including those involved in urban regeneration through regional development agencies and urban regeneration companies. To ensure that the benefits of co-investment are maximised for all parties, the regional capital strategies will address the aims and objectives of other investing authorities to help ensure investment in educational projects can also benefit broader urban and rural regeneration educational projects.

3.5 The regional capital strategies are fed by local capital plans that are an assessment of anticipated local delivery and providers' capital projects following the StARS and other processes and subsequent changes in government policy. The local capital plans comprise a series of potential projects within a local area. These plans will be updated on an annual basis at the same time as the regional capital strategies in consultation with providers and other key stakeholders and partners.

## 4 Provider property strategies

4.1 The LSC expects all FE colleges to produce a college property strategy on a three-year basis. In particular, all colleges submitting a capital project application will need to have an agreed property strategy in place in order for the application to be approved. The LSC will be reviewing the requirements

for college property strategies over the next 12 months and will be producing a new supplement on property strategies that will be added to this handbook in due course. This review will be coordinated by a sector working group that will consider the function and content of college property strategies in relation to recent changes in capital policy. For the time being, colleges should refer to Supplement A to Circular 02/20 for guidance on how to complete a property strategy and should contact the appropriate regional property advisor (RPA) for further advice. Any qualifying applicant for mainstream FE capital funding should also provide an updated property strategy with its capital project application. However, the level of detail contained within the strategy will vary depending on the size of the institution and the scope of its project proposals.

4.2 Schools and LAs that apply for capital funding from the 16-19 Capital Fund will not be expected to produce a formal property strategy as a prerequisite for receiving capital funding. However, the LSC will need to be satisfied that other appropriate strategic planning documents are in place and that the new project proposals will properly complement the applicant's existing estate.

## 5 Floorspace utilisation

5.1 In 2005 the LSC set up a sector space utilisation working group to review the existing space utilisation guidance, the methodology used to measure space and the workplace area standards for different curriculum areas. At the time it was recognised by the LSC that the existing space guidance needed to be updated as a result of changes in building legislation, technology and teaching methods. The group commissioned consultants to undertake a study to review the current LSC space guidance and come forward with recommendations based on the current and anticipated future space requirements of colleges. A report was produced in June 2006 and its contents have been considered by a college/LSC working group. Following further consultation, it is anticipated that amendments to the LSC's floorspace utilisation methodology, based on some of the results of the study, will be published later this year as a supplement to this handbook. In the meantime the existing floorspace utilisation guidance remains unchanged. The existing guidance can be found in Supplement A to Circular 02/20 at: [www.lsc.gov.uk/National/Documents/Series/Circulars/circular\\_0220\\_project\\_grant\\_support.htm](http://www.lsc.gov.uk/National/Documents/Series/Circulars/circular_0220_project_grant_support.htm)

## 6 Design and sustainability

6.1 The LSC is now placing a higher emphasis on the importance of building design and increasing sustainability in new buildings. The LSC is concerned with improving the quality of design of new projects and ensuring that all new capital-funded projects increasingly address issues of sustainability. As a result a number of separate but interrelated initiatives are currently under way, as listed below.

6.2 The LSC has now published a report: *The Relationship between Building Design, Cost and Quality in the FE sector*. The report can be found on the LSC website: <http://readingroom.lsc.gov.uk/lsc/2006/research/commissioned/nat-reviewtherelationshipbetweenbuildingdesigncostandqualityinthefesector-re-jun2006.pdf>.

6.3 One of the key recommendations of this report, which has now formally been adopted, is an uplift in the LSC's capital cost criteria targeted specifically at sustainable elements of building design and construction. Colleges applying for capital grant support now have the opportunity to apply for an additional cost allowance of up to 10 per cent of the net building cost for elements within the building that address sustainability issues. A college can qualify for this additional allowance by demonstrating how the design exceeds the new requirements of Part L of the Building Regulations and addresses further sustainability issues outside the remit of the Building Regulations. The new Part L of the Building Regulations also significantly raises the requirements regarding the sustainable elements of new and refurbished buildings. Any increase in costs arising from the requirements of Part L will be reflected in the regular twice-yearly uplifts of the LSC's capital cost criteria that is in addition to the additional 10 per cent allowance to reflect increases in sustainability. The LSC will provide further guidance on this in due course, but in the meantime applicants should discuss these aspects of their project proposals with their respective RPA.

6.4 Sustainability issues now need to be fully considered in all capital project applications. Further guidance on sustainability is currently being developed and will be included as an annex within this handbook in due course. In the meantime, please refer to the advice provided by the Sustainable Development Commission, which can be found at [www.sd-commission.org.uk](http://www.sd-commission.org.uk)

6.5 In recognition of the outcomes of the above report, the increasing amount of capital development within the sector and the growing importance of

sustainability, the LSC has commissioned a design guide for FE colleges that will provide examples of best practice in the design of college buildings. Commissioned as a joint study on behalf of the LSC and Royal Institute of British Architects (RIBA), the design guide should be published in mid 2007.

6.6 Following on from the work done in other sectors, the LSC will be commissioning a Building Research Environmental Assessment Model for the FE sector.

## 7 Applications for in-principle and detailed approval and the LSC forms

7.1 The LSC will continue to operate two levels of capital project approvals for FE and 16-19 capital funding: approval in-principle (AiP) and detailed approval. Prior to preparing and submitting an application, all providers should consult with the LSC local partnership team, LSC regional provider financial management team and LSC RPA to discuss the key education, finance and property aspects of the project.

7.2 All colleges and other qualifying providers with proposals that have a total capital cost of more than £10 million will normally be required to make an AiP application. Once the AiP application has been determined by the LSC, a detailed application will be worked up and submitted. All proposals with estimated costs of more than £10 million will normally be considered by the LSC at these two stages. All applications that have an estimated total capital cost of less than £10 million will normally be considered once by the LSC as a detailed application.

7.3 The LSC will only accept applications when the college or other qualifying provider has reached a certain stage in the project design and preparation process. In the case of AiP applications, the proposal must be developed approximately to the Royal Institute of British Architects (RIBA) design stage C. In summary, the proposal should include the following:

- A project brief
- Floor plans and proposed elevations
- An estimate of construction and other relevant costs
- A clear indication of town planning issues including the identification of any onerous Section 106 agreements.

7.4 In the case of detailed applications, the proposal must be developed in the design stage to beyond RIBA stage D. This means that the proposal should include the following:

- A fully completed project brief
- A detailed proposal showing spatial arrangements, material and appearance, as well as a cost estimate
- Evidence of full planning permission
- A breakdown of tendered and other relevant costs.

7.5 All capital applications should use the appropriate forms, contained within Annex E. All previous capital forms booklets are superseded by this handbook. Annex E contains all the forms for applications for mainstream FE capital grant support, feasibility fee support and claims relating to this, as well as claims for accessibility improvement grants and post-project review forms and associated guidance. However, application forms for the 16-19 Capital Fund, associated guidance and subsequent claim forms are separately included within the 16-19 Capital Fund Guidance on the LSC website: <http://readingroom.lsc.gov.uk/LSC/2005/funding/streams/16-19-capital-fund-guidance-2006-07-onwards.pdf>

## 8 Feasibility and project fee support

### Feasibility fee support

8.1 Colleges undertaking feasibility studies for larger projects (more than £5 million estimated capital costs) including campus relocation and PFI proposals may continue to apply to the LSC for financial support towards the fee costs likely to be incurred in employing consultants to assist with the studies. **This support is not available for the preparation of a property strategy.** Such feasibility studies should result from the options considered in the property strategy and be used to inform colleges' AiP applications for capital project support from the LSC in accordance with the arrangements for determining major capital projects. Colleges benefiting from these arrangements will normally be expected to seek an AiP determination of their project proposals from the LSC. This is not additional capital support. It is an up-front pre-payment that will be consolidated with colleges' capital support payment when the preferred option is implemented.

8.2 The LSC will support qualifying consultancy costs to a maximum of £200,000 on a matched funding basis. In other words, the LSC will pay up to £100,000 as long as such funding is matched by a similar sum from the applicant. The application form is contained within Annex E of this handbook, and the associated guidance is at Guidance Note C.

### AiP-project fee support

8.3 In addition to the feasibility fee support outlined above, the LSC has now introduced project fee support arrangements where colleges can apply to the LSC for grant support towards the fee costs associated with developing and preparing capital project applications, both to the AiP stage and then to the detailed stage, and on a basis suitable for LSC determination. The purpose of these arrangements is to encourage colleges to bring forward more accurate and better founded applications by accessing grant funding for capital projects from the LSC at an earlier stage in the capital process, and to help reduce the financial burden on colleges of preparing capital proposals.

8.4 In order to develop a project proposal to an AiP stage, colleges are likely to expend circa 15 per cent of the consultants' total projected fees (usually up to 10 per cent of total project costs). Colleges can apply for project fee support on a matched funding basis towards maximum costs of £500,000 to take an application up to the AiP stage. This is not additional funding as such but is really an advance of support that would have been payable later with the aim of helping to ease cash flow and incentivising better applications. In order to access these funds, colleges need to complete the project fee support application form (Form C2) and follow the guidance at the back of this handbook. If the capital project is not approved at AiP stage or is withdrawn prior to being approved at the AiP stage or at the detailed stage for reasons outside the college's control, the LSC will not normally claw back the grant that has already been paid to the college.

### Detailed-project fee support

8.5 In order to develop a detailed project application, colleges are likely to have expended circa 45 per cent of the consultants' total projected fees. Colleges, that have approved AiP applications, can apply for project fee support to enable them to develop the project to a stage where it can be considered as a detailed application. The amount of project fee support is determined by the rate of the indicative level of grant support the LSC will have agreed for the AiP application. The maximum allowable fee cost is up to £1 million. For example, this means that if a college spends £600,000

**Table 1**

| Procurement stage | Maximum costs<br>£ | Maximum LSC contribution<br>£                      | Project threshold<br>£ | Comments  |
|-------------------|--------------------|--|------------------------|---|
| Feasibility study | 200,000            | 100,000  | More than 5 million    | As currently operated   |
| In principle      | 500,000            | 250,000  | More than £10 million  | Similar to RIBA design stage C-outline drawings and estimated costs |
| Detailed approval | £1 million         | Variable – at in-principle grant intervention rate | More than £10 million  | Similar to RIBA stage D-detailed drawings but with tendered costs   |

on fees between the AiP and detailed stage and the AiP project was agreed at an indicative rate of 40 per cent, the college would be entitled to claim a grant of up to £240,000. As with the AiP project fee support, this is not additional funding but an advance of support to ease college cash flow. The guidance on how to apply and claim this fee support is outlined at the back of this handbook.

8.6 These proposals are primarily intended to apply to FE colleges' capital applications. Most school capital applications to the 16-19 Capital Fund are promoted by LAs that will support pre-contract fee costs and few school projects are likely to exceed £10 million. However, in exceptional circumstances and at the LSC's discretion, individual schools and qualifying external FE providers with project proposals of sufficient size may also be invited to apply for feasibility and project fee support.

8.7 The feasibility and project fee support arrangements and limits are summarised in Table 1.

## 9 Affordability assessment

9.1 In the case of all applications from FE colleges for FE capital funds, the LSC will continue to use an affordability assessment of applications in order to determine the level of grant support. The reason for this is so that each college receives the appropriate level of grant support to enable the college to proceed with the capital project. In recognition of the risks associated with borrowing large amounts of capital to finance major capital projects, the LSC has revised the parameters that it uses in assessing affordability. The affordability assessment arrangements are described in Annex B.

## 10 Investment appraisals

10.1 Providers are reminded of the requirement whereby applications for capital project grant support for FE capital, 16-19 capital and Personal and Community Development Learning (PCDL) capital must be accompanied by an investment appraisal(s) in accordance with the manual published by HM Treasury called *The Green Book: Appraisal and Evaluation in Central Government*. The LSC provides standard investment appraisal models on its website, which providers are required to complete as part of an application. Providers are recommended to confirm the appropriate investment appraisal model to use with their respective regional provider financial management (PFM) director.

## 11 Leasehold projects

11.1 The arrangements for the eligibility of leasehold projects to obtain grant support are being reviewed. In the meantime, discussions should be held with the relevant RPA at an early stage for any leasehold proposal.

## 12 Residential accommodation

12.1 With the exception of applications from specialist residential colleges catering for learners with learning difficulties and/or disabilities, the LSC will not normally provide capital funding towards the cost of residential developments. Where a college identifies a need to provide residential accommodation for its learners, it is expected that the capital cost of developing the accommodation will be met by third-party funding either through the proposed new building being owned

by a third party investor and/or operator or through a public private partnership (PPP) or a PFI.

12.2 Colleges will not be expected to procure and own new residential accommodation unless it can be demonstrated that there is no viable alternative way of procuring the accommodation. Colleges will normally have to demonstrate that the costs of financing and running residential accommodation are fully covered by the receipts from residential lettings. Therefore, borrowing associated with residential developments will not normally be included in the affordability calculations that are made in any subsequent capital project applications unless the applicant can clearly demonstrate that for educational reasons it is necessary to support the costs of residential accommodation from revenue funding.

12.3 The LSC is setting up a sector working group to look at specific capital policy issues relating to land-based colleges. This will include issues relating to residential accommodation.

### **13 Post project review**

13.1 All capital grant recipients are required to undertake a post-project review to be completed between 12 and 18 months after the date of practical completion of the project. The post-project review must be undertaken in accordance with the LSC's requirements as set out in Guidance Note D. This form is to be used by recipients of FE capital grant support and 16-19 capital fund grant support. In the case of FE college projects, the post-project review must be reviewed by the college's board of governors before it is provided to the LSC.

13.2 The required form of return is provided at Form E of Annex E. This is a new and expanded version of the previous post-project review form. No further capital applications will be considered from any college, school or any other category of eligible provider that has not provided a post-project review for previous projects in the appropriate format within the required timescale.

### **14 Disposal and acquisition of land and buildings**

14.1 Colleges are reminded that the Financial Memorandum (FEFC Circular 98/30) between all incorporated FE colleges and the Council stipulates that colleges should obtain the consent of the Council prior to disposing or acquiring land or buildings where the total cost exceeds £1 million or 5% of the college's annual revenue, whichever is the lower.

14.2 The Council's consent is required where the transaction relates to both freehold and leasehold property. In addition, Council consent is required before an option agreement is entered into where the land or buildings have a value in excess of the costs stated above. In all cases, colleges should seek to secure the best obtainable value for money and to obtain appropriate independent professional advice in all property transactions. Further guidance on this process, both for cases where Council consent is required and where it is not, is contained within Annex C.

14.3 The current Financial Memorandum is due to be updated later this year. Within the recently published consultation document, there is a proposal that the consent threshold of £1 million should be increased to £1.5 million.

### **15 Client capability guidance**

15.1 As the LSC capital programme expands and the level of capital expenditure increases across the post-16 sector, there is a recognition that FE colleges and other providers may require further support in undertaking capital developments. The LSC will be producing guidance on client capability which should be ready by early 2007. This will address issues of procurement and the processes the colleges need to follow in appointing consultants. This will complement the LSC/RIBA design guidance publication referred to in Section 6.

### **16 Procurement**

16.1 The LSC is investigating setting up capital procurement framework agreements in consultation with the Association of Colleges and the Office of Government Commerce for colleges seeking to appoint consultants and contractors for capital development in the FE sector. It is intended that colleges will be able to appoint recommended consultants or contractors who have signed up to the framework agreement.

### **17 Building plaques and contractor signboards**

17.1 All providers receiving project-related capital grant support will be required to erect a permanent plaque acknowledging the LSC's contribution, and this should usually be located in a prominent position on the exterior of the building. The plaque will be constructed according to the material and design specification set out in the LSC brand guidelines and will be erected at the provider's expense. A similar notice will also be required on the contractor's signboard at the main

entrance during the construction period. The brand guidelines can be found at [www.lsc.gov.uk/brand](http://www.lsc.gov.uk/brand).

## 18 eMandate

18.1 In September 2002 the LSC set up an FE estates management statistics programme, known as eMandate, as an annual data collection and dissemination exercise, carried out by consultants Drivers Jonas and KPMG on behalf of the LSC and its partners Education Learning Wales and the Scottish Funding Council, in which some 200 colleges participated.

18.2 In January 2006 the LSC and its partners appointed IPD Occupiers Property Databank to continue to manage the programme for another three years. Arising from the objectives of the agenda for change, participation in the project is now a prerequisite in order for colleges to obtain capital funding from the LSC.

18.3 Increasing use of the eMandate data both by colleges and the LSC is anticipated. The LSC will be providing regional network meetings for colleges to help colleges benefit from the results of the data and build on the peer group comparison of the data. Further information on the project and copies of the previous annual reports are available on the eMandate website which can be found at [www.emandate.co.uk](http://www.emandate.co.uk). At the moment the programme is only open to FE colleges, but in the future the scope of the project may widen to include other categories of providers and expenditure.

## 19 Capital case studies

19.1 Since April 2001 the LSC has approved more than 600 capital projects ranging in cost from £100,000 to more than £80 million. In order to provide more information on completed capital projects, the LSC is developing a library of capital case studies to provide an overview of significant and major capital projects. The purpose of this is two-fold: firstly to provide examples of successful college capital developments, which can be used as guides by other colleges seeking to undertake similar capital projects, and secondly to showcase the FE sector to the wider public. These case studies will be available on the LSC website.

## 20 14-16 places in FE colleges

20.1 From 2007-08 the LSC will extend the eligibility for capital funds to building works undertaken by colleges on their campuses to provide additional facilities for 50 or more additional full-time equivalent (FTE) places for 14-16 vocational provision, where

it can be demonstrated that such provision cannot be provided by the more intensive use of existing facilities.

20.2 Development in support of 14-16 provision can include all necessary capital works including separate social and recreational space.

20.3 Where colleges are delivering vocational provision on school premises, all necessary enabling works will be the responsibility of the school which may have access to capital funds from the DfES and will not be eligible for capital support from the LSC for these purposes.

20.4 Colleges should include details of existing and projected 14-16 provision in their capital application forms.

## 21 Further education institutions providing higher education provision

21.1 Where up to 20 per cent of the guided learning hours or FTEs of a project proposal is for higher education (HE) purposes, then colleges may include this provision in their capital applications to the LSC which will regard it as incidental to the main FE purpose of the proposal. HE provision of 20 per cent or more will not be eligible for capital funding from the LSC.

21.2 Colleges seeking capital investment in their HE facilities should, in the case of franchised HE provision, satisfy themselves that the franchise payments are adequate to support appropriate levels of capital investment. They may wish to review this matter with their existing or prospective HE institution franchise partners. Those directly funded by the Higher Education Funding Council for England (HEFCE) should consult the relevant HEFCE regional consultant as to the sources of capital funds that the HEFCE may make available from time to time. The HEFCE has a Strategic Development Fund (HEFCE June 2006/15: *Strategic Development Fund*) to which HEFCE-funded FE colleges may apply.

## 22 Higher education institutions providing further education provision

22.1 Higher education institutions (HEIs) providing LSC-funded FE continue to be eligible to apply for a capital grant from the LSC in support of their FE provision. Each particular project will be required to comply with the same floor space utilisation standards and all other capital criteria and arrangements applicable to FE institutions, as published in this handbook and other guidance issued by the LSC from time to time.

22.2 HEIs proposing mixed FE and HE usage and applying for grant support from the LSC will usually have to demonstrate a minimum of 50 FTEs and one third or more continued FE usage of the premises to be developed or modernised. The LSC's capital grant support will usually be limited to an appropriate percentage of the qualifying capital costs, pro rata to the FE usage of the premises.

## 23 Work-based learning

23.1 The LSC does not currently provide capital funds for work-based learning providers other than the element of capital funding that is available within the Centre of Vocational Excellence (CoVE) programme and funding associated with the Skills Academies programme. The LSC is, however, reviewing capital funding for work-based learning providers and other providers as a consequence of the recent FE White Paper. The DfES, in association with the LSC, has commissioned a study to examine the issues surrounding the extension of the capital funding programme to support work-based learning. The results of this study and any subsequent changes to capital policy will be announced towards the end of 2006.

## 24 16-19 Capital Fund

24.1 The LSC is responsible for administering the new 16-19 Capital Fund. This brings together the previous LSC funding for 16-19 rationalisation and the DfES Basic Need capital funding for 16-19 places.

24.2 The fund addresses college and school capital projects that lead to a strategic expansion of 16-19 provision and offer a material increase in new 16-19 school or FE college places (normally at least 50 full-time places) arising from:

- increased participation, in particular when identified through the LSC StAR process;
  - area-wide reorganisation in response to either StARs or Office for Standards in Education (Ofsted) area inspection outcomes to raise standards and/or promote choice;
  - proposals for leading 11-16 specialist schools to add a sixth form in areas where there is little choice of school sixth form or high quality 16-19 provision;
  - proposals from 16-19 academies (with business sponsorship for a significant contribution to the capital costs); and
- proposals from other schools to add new sixth form places where there is a strong case to extend the range of learning opportunities available to learners across the 14-19 phase.

24.3 The 16-19 Capital Fund is not available to fund the modernisation of existing 16-19 places in schools (for which formula capital funding from the DfES continues to be available) or where the school concerned is addressed by the Building Schools for the Future programme, which will normally take into account both new and existing sixth form places.

24.4 Information and guidance relating to the 16-19 Capital Fund is included in a separate document entitled *16-19 Capital Fund Guidance*, which was published in December 2005 and is available on the LSC website:

<http://readingroom.lsc.gov.uk/LSC/2005/funding/streams/16-19-capital-fund-guidance-2006-07-onwards.pdf>. Schools and FE colleges considering applying to the 16-19 Capital Fund should refer to this document.

24.5 In some cases, an FE college may have a proposal that is eligible for a mix of FE capital funding and 16-19 capital funding depending on the nature of the project proposal. In these circumstances the college should contact the appropriate LSC partnership team to discuss the application options. The LSC will not expect a college to submit two separate applications for the same project but may choose to apply both its FE capital funds and an allocation from the 16-19 Capital Fund to qualifying capital applications from colleges whose projects include both the modernisation of existing 16-19 places and the development of new places. There are no financial advantages or disadvantages to an FE college in receiving allocations from the 16-19 Capital Fund rather than from FE capital funds.

## 25 National Skills Academies

25.1 It is intended, as resources allow, that there will be at least one National Skills Academy (NSA) in each major sector of the economy in addition to the 12 NSAs previously announced to be established by 2008. As part of this programme, the Government continues to welcome innovative propositions from business, such as the Dyson School of Design Innovation or the Fashion Retail Academy.

25.2 National Skills Academies are seen as national Centres of Vocational Excellence (CoVEs) developing and delivering the leading-edge skills requirements of each industry sector as set out in their Sector Skills Agreement, and networking with CoVEs, colleges, schools and academies. NSAs, in particular, will be

characterised by new industry-led curricula; innovative teaching and learning models directly engaging employers in the teaching process and reflecting international best practice; governance by new joint PPPs between FE and the private sector; and high levels of sponsorship in exchange for industry-led governance of each Skills Academy.

25.3 The size and nature of Skills Academies will vary and this will impact on the capital requirements of each proposal. However, it has been assumed that in some cases the establishment of an Academy will require an initial capital cost of up to £10 million. This will normally be split between the employer, the host institution (normally an FE college) and the LSC. It has been agreed that the LSC will contribute on average 35 per cent from the FE capital budget and the balance (65 per cent) will be picked up by the employer and institution. Revenue funding to meet the cost of provision for students will be under normal FE funding arrangements.

25.4 Colleges participating in proposals to establish National Skills Academies with a potential capital requirement will normally have to make a parallel application to the LSC for capital project grant support. In these cases the FE capital project grant support application form should be used.

## 26 CoVE programme

26.1 The CoVE 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.

26.2 The CoVE programme has met its prime target of establishing a network of 400 CoVEs by 2005-06. For those CoVEs receiving capital funding in Rounds 8 and 9 the, CoVE application arrangements and criteria are detailed in Circular 01/14 and Circular 02/15. CoVE capital allocations should be spent for the purposes outlined in qualifying providers' CoVE development plans, generally for the purchase of CoVE-related equipment and minor building works and adaptations to accommodate the CoVE. Qualifying FE CoVE providers, with the prior agreement of their local LSCs, may put any surplus CoVE capital funds towards the related costs of capital applications for approval and grant support towards the costs of capital projects to develop or modernise premises in which the CoVE will be located. CoVE capital grants will, however, be taken account of in determining project affordability and the overall grant contribution under the arrangements confirmed in this circular.

26.3 The LSC is developing a New Standard for Employer Responsiveness and Vocational Excellence. The New Standard is due to roll out from early 2007 and providers gaining accreditation will have priority access to capital funding. Priority for capital grants will in future be given to providers accredited against the new standard. Transition arrangements to the new CoVE system have yet to be finalised and will be announced in due course.

## 27 Specialist colleges

27.1 Specialist colleges (and other non-specialist external institutions) can apply for mainstream FE LSC capital funds if the LSC regularly provides 50 per cent or more of their annual revenue. In March 2004, the LSC endorsed the need for a strategic review of its funding and planning of provision for learners with learning difficulties and/or disabilities. A steering group, chaired by Peter Little, OBE, has overseen the review that reported formally in autumn 2005.

27.2 The key recommendations arising from the review entitled *Through Inclusion to Excellence* have been accepted and in particular that:

- *the LSC should develop a national strategy for the regional/local delivery, through collaboration with partners, of provision for learners with learning difficulties and/or disabilities across the post-16 education and skills sector that is high quality, learner centred and cost effective; and*
- *the LSC should commit to a policy of 'investment for change' to achieve systemic transformation and increased supply of high quality, local provision for learners with learning difficulties and/or disabilities.*

27.3 The LSC capital arrangements for specialist colleges will henceforward reflect the recommendations from *Through Inclusion to Excellence* and in particular that the LSC capital funding will be directed to ensuring that high quality, collaborative provision for learners with learning difficulties and/or disabilities is developed and that, where possible, it will be regionally/locally based and, if appropriate, colocated with other provision. Therefore there should be less emphasis on residentially based provision. In these cases applications will be processed in the usual way. The LSC will manage a transition process where provision for the majority of this group of learners would be delivered locally/regionally.

27.4 In order for the LSC to prioritise capital investment to achieve its strategic aims, supplementary

capital criteria will be applied to capital applications from specialist colleges. Regional and local area LSC teams will work with potential applicants to help understand their implications. In some cases the provision may be based in FE colleges, with capital applications being submitted by the FE colleges. In these cases the usual capital criteria will apply.

27.5 These criteria are attached at Annex A. They are intended to encourage and enable the movement of this area of provision towards sustainable, high quality, collaborative provision which fits with local/regional plans for provision for learners with learning difficulties and/or disabilities. Applications for capital support towards renewing or extending specialist residential provision would not be ruled out but applications would be required to address the key recommendations of *Through Inclusion to Excellence*.

## 28 Accessibility improvement grants

28.1 The LSC previously made dedicated funding available for accessibility improvement grants to FE colleges, external institutions and other institutions providing FE provision, towards the costs of the capital work required in order for colleges to meet the statutory requirements of the Disability Discrimination Act (DDA) Part 4, as amended by the Special Educational Needs and Disabilities Act (SENDA) 2001. Colleges and other educational providers should have been compliant by 1 September 2005.

28.2 Further work to meet DDA/SENDA requirements can be included within capital project grant support applications and will be subject to the usual FE capital grant support criteria as identified in Annex A of this handbook. This includes the affordability arrangements as set out in Annex B.

## 29 Neighbourhood learning in deprived communities capital

29.1 The neighbourhood learning in deprived communities (NLDC) capital fund is available to help local voluntary and community sector organisations to deliver learning opportunities and support activities for people living in disadvantaged neighbourhoods.

29.2 The NLDC capital fund is aimed at developing the framework that supports learning at grass roots level and building capacity in the voluntary/community sector. The prime focus of the capital component of NLDC is to:

- assist and support learning;

- refurbish and enhance existing premises. This could include improving health and safety arrangements, minor works and adaptations to meet any outstanding DDA requirements;
- complement other funds secured by applicant organisations or partnerships in order to establish a new learning centre in areas where none previously existed; and
- secure the information and communications technology (ICT) provision, including licences, connectivity costs and the development/purchase of management information system, software and data management system for the NLDC fund.

29.3 The NLDC fund can be used for match funding, for example with the European Social Fund or the Single Regeneration Budget. The priority recipients of this fund are voluntary and community sector organisations engaged in direct delivery of learning or working in partnership with a range of providers that are offering learning. However, the fund is not exclusively designed for them. Examples of eligible providers include those concerned with outreach work, learn direct centres, UK online centres, LAs, and local community centres. Both FE colleges and PCDL providers are eligible for funding within the criteria for projects. Schools may also be eligible providers since many of them are well placed to provide or host family and community learning.

29.4 The LSC retains an interest in any asset purchased from LSC funds, as they are purchases made from public monies. For further information on the NLDC capital please contact the LSC's area or partnership director.

## 30 Personal and Community Development Learning (PCDL) funding 2006-07 (and onwards)

30.1 The LSC has provided capital funds of £16.8 million in 2006-07 as part of the PCDL Challenge Fund (Major Capital Bids) to LAs and/or main PCDL providers. This funding is for PCDL-related capital projects, including construction of new PCDL centres, conversion of existing buildings to provide PCDL facilities or the major refurbishment of existing PCDL facilities. Funding is spread across a two-year period (2006 to 08) and allocations have already been agreed. Information on the next round of PCDL capital allocations from 2008 onwards will be announced in spring 2007.

30.2 For further information on the PCDL Challenge Fund (Major Capital Bids) please contact the relevant RPA.

## **31 LSC capital updates and property web page**

31.1 The LSC is establishing a capital and property web page, which will be part of the main LSC internet site from November 2006. The property web page will contain this Capital Handbook, further capital updates and 16-19 Capital Fund Guidance as well as copies of all relevant capital reports, case studies and other relevant publications and a section on frequently asked questions. It is intended to be the first port of call for all interested parties should they have any queries regarding LSC capital funding and policy.

31.2 This handbook will remain as a live document and will from time to time be updated and revised (not less than quarterly) as required. Any updates will be announced and published on the LSC website. This handbook replaces the previous Circular 03/13 and all previous capital circulars with the exception, for the time being, of parts of Supplement A to Circular 02/20 College Property Strategies.

# Annex A: Capital Projects Criteria

## Stage 1: Validation Criteria

1 Before applying to the LSC for support, a provider should apply the following validation criteria to its own proposals.

### Consistency with delivery plan and property strategy

2 A provider should be able to demonstrate how its proposals assist its overall plan for:

- accommodating its learners and activities;
- curriculum areas requiring specialist provision;
- the provision of work-based learning to employers (if appropriate);
- new provision in both new and existing curriculum areas; and
- otherwise meeting the priorities of the relevant local LSC as indicated in its published plans and strategic review of local provision.

3 Necessary steps in preparing and reviewing FE providers' property strategies are set out in Supplement A of the LSC Circular 02/20 *Guidance on Property Strategies*. LAs will be required to demonstrate that their proposals reflect the authority's published asset plans and other capital and property strategies for educational property.

### Confirmation of provider contribution

4 Given the scarcity of capital funds, a provider will be expected to contribute as much as it reasonably can to the costs of its projects.

5 The LSC's maximum contribution towards the costs of a project will usually be no more than the sum the LSC considers necessary for the provider to be able to afford to undertake the project. A provider will need to demonstrate the need for a particular level of grant support in confirming the affordability of the project.

6 An appropriate figure should be provisionally confirmed with the LSC's regional PFM director before proposals are finalised. Under the stage 3 criteria (see below), preference may be given to providers applying for less than the maximum available LSC support should there be competition for funds. An explanation of project financing and the calculation of the LSC's contribution towards project costs is included within Annex B.

### Financial viability

7 A provider should be able to demonstrate that it will be financially viable after taking account of its contribution to the project, that it has no major weaknesses in its financial systems and that it has made satisfactory arrangements to manage the project.

### Planning requirements

8 A provider should be able to demonstrate that appropriate planning permission for the proposal will be or has been obtained.

### Private finance initiative and public-private partnership

9 Providers will be required to demonstrate that they have diligently examined whether better value for money might be obtained by private sector investment and participation in the provision and subsequent management of the assets to be created and in the delivery of relevant services through PPP/PFI mechanisms or, as appropriate, through joint procurement with another provider or through the Building Schools for the Future programme.

## Stage 2: Application to the Learning and Skills Council

10 The factors that applicants are advised to consider in developing a capital project proposal are listed below. These will not all be equally relevant to every case and, in certain cases, others not mentioned here might be

particularly significant. In addition, there may be different outcomes for the same factor in different projects. The LSC will wish to be assured that a particular outcome is appropriate for the project in question and that the project will contribute to the achievement of its national and local aims and targets.

### Delivery plan

11 The following factors apply to providers' delivery plans and should be reflected in their development and business plans and financial forecasts. Providers should consider:

- whether the project is consistent with the delivery and business plans;
- whether the strategic aims of the project have been set out in a measurable form to enable a satisfactory post-project implementation review;
- how far the project relates to specialist provision;
- whether the learner number projections are soundly based;
- how the proposed project will affect and be affected by schools and other providers in the locality
  - whether the project would contribute to securing proper and reasonable provision for the provider's normal recruitment area;
  - how far neighbouring colleges, schools and other educational institutions have been consulted about the project;
  - whether there is under-utilised space in colleges, school sixth forms and other educational institutions serving the same market;
  - whether the project will engender wasteful competition;
  - whether the project will engender an undue duplication of specialist facilities within a locality or a replication of courses resulting in uneconomic learning groups;
  - how far the project will jeopardise the financial viability of other providers;

- the impact of the development on any merged institution where a merger, potential merger or other form of reorganisation is likely;
- whether appropriate collaborative ventures have been considered;

- how the project will help the provider work with employers to deliver flexible learning for employees;
- how the proposal takes account of LA planning, 16-19 presumptions, 16-19 competitions, the Building Schools for the Future programme, school sixth form proposals and school academy proposals, and
- how the proposal supports local, regional and national priorities.

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

### Quality

13 The following factors apply to quality issues. Providers should consider:

- whether the existing provision has at least a balance of strengths and weaknesses;
- whether it has achieved at least satisfactory inspection grades for leadership and management; and
- how the project will enhance and help to maintain the quality of the provision.

## Property indicators

14 The following factors apply to providers' property. Providers should consider whether:

- the project materially improves the quality of the provider's buildings;
- the proposed buildings are of an appropriate type;
- the building design enables access by people with physical and sensory disabilities and will meet the requirements of DDA/SENDA;
- the building is energy efficient and addresses sustainability;
- the gross and net floor areas are appropriate;
- listed buildings are involved;
- health and safety issues have been considered and all legal requirements met;
- there will be adequate continuity of provision for learners during construction; and
- opportunities are being taken for site and premises rationalisation and for their more cost-efficient operation.

## Economic appraisal

15 The following factors apply to the economic appraisal. Providers should consider whether:

- the options considered are economically appropriate;
- all reasonable options have been evaluated;
- the appraisal includes all relevant costs and benefits and only relevant costs and benefits;
- the appraisal includes the cost of land;
- the project could be broken down into several smaller projects including at least one project that has a higher net present value (NPV) than the proposal;
- the project secures a satisfactory return for the UK economy;
- the provider's contribution to the project is satisfactory, (bearing in mind any windfall gains, for example from sales of property);

- the planned profile of expenditure has been realistically constructed and has taken account of the provider's financial forecasts; and
- there has been full consideration of the implications of VAT and other taxes.

16 The investment appraisal for at least the preferred option should show a positive NPV. The measure of value for money for each proposal can then be calculated by dividing the NPV to the UK economy of the proposal, at the Treasury test discount rate, by the value of the proposed LSC contribution. This indicator is specifically recommended by the Treasury for situations in which decisions about rationing capital need to be made. It will be weighed against the other selection criteria in reaching a decision on any proposal.

## Borrowing criteria

17 Providers are expected to borrow sufficient funds where necessary to enable them to carry out a capital project (see Annex B). Where an application includes a proposal to borrow funds to help finance a project, providers should consider whether:

- the application needs to include a request for the LSC's consent, under the terms of the LSC's Financial Memorandum if appropriate, to enter into the proposed borrowing arrangements;
- overall borrowing will exceed any permitted levels set out in the LSC's Financial Memorandum with the provider (if appropriate);
- there are onerous conditions attached to the loan(s); and
- the interest rate for each loan is reasonable.

18 A provider's proposed borrowing arrangements are often not finalised at the time of the capital project application. In such cases, the LSC's consent will be subject to the provider consulting the LSC on the final borrowing arrangements. The provider should expect to provide the following information:

- evidence of market testing, where appropriate, and that the preferred borrowing arrangements represent the most favourable terms available to the provider;
- detailed terms and conditions of the loan(s); and

- governing body minutes confirming that governors have approved the borrowing arrangements, including the amount, interest rate, terms and conditions, and explicit acceptance of the implications of any potentially onerous terms (such as a negative pledge clause).

### Financial health criteria

19 A provider should be able to demonstrate that it will be financially viable after taking account of its contribution to a project; it has no major weaknesses in its financial systems; and it has made satisfactory arrangements to manage the project. Providers should consider whether:

- there appears to be any current risk to their financial health;
- the project creates a risk to their financial health; and
- they have conducted appropriate risk analysis and sensitivity studies, taken sufficient control measures and identified adequate contingency plans.

20 FE providers are required to plan to sustain or improve their financial health to financial health group A or at least a strong group B by the third year following substantive completion of the project. Further guidance on provider financial health and project affordability is set out at Annex B.

21 The LSC has produced investment appraisal and financial plan spreadsheet models to enable providers to prepare the information required to support the economic investment appraisal, and the financial health/affordability assessment respectively. These spreadsheet models are available on the LSC's website. Providers are recommended to confirm the appropriate models to use with their respective regional PFM director.

### Race relations

22 Applicants for capital grant support will be required to demonstrate how their proposals have taken into account the Race Relations Act 1976 and the Race Relations (Amendment) Act 2000, and how new and modernised facilities will meet the needs of all racial groups.

## Stage 3: Selection of Proposals by the Learning and Skills Council

23 The LSC will consider all proposals that pass the first two stages of the process against the seven selection criteria described at paragraphs 24-31.

### Selection Criteria

#### Proper and reasonable facilities

24 The LSC will have available, if appropriate, the view of relevant local educational partnerships and the LSC's own area and partnership teams on the contribution a project would make to ensuring that there are proper and reasonable facilities for FE and work-based training in the area in the light of sixth form and other reorganisations proposed or any mergers in progress.

25 In particular the LSC will consider the following:

- how far the project proposal reflects the new priorities for changes in local provision for 14-16 and 16-19 year old learners and collaboration with other local providers and, where appropriate, the outcomes of area inspections and reviews;
- whether the project proposal will establish or further develop CoVEs and specialisation within the college and/or in collaboration with other local providers; and
- how far the provider has also consulted fully on its proposals with, for example, the relevant colleges, other FE providers, local learning partnerships, local children's trusts, LAs, school sixth forms and other providers.

#### Quality assessments

26 The LSC will take into account relevant quality assessments from Ofsted and the Adult Learning Inspectorate (ALI). The LSC would not support a proposal where the provision had been classed on inspection as having more weaknesses than strengths unless the provider was able to show either that it had satisfactorily addressed the shortcomings identified, or that the project was necessary to improve the provision. Should there be competing proposals in a locality, the LSC would give preference, all other things being equal, to the provider where the provision had received the highest quality classification, unless there were overriding reasons not to do so.

## Economy

27 The LSC will compare the cost per square metre of the net added space of a proposal with that of similar constructions in the same area of the country. For FE projects, the LSC will use its own database and will refer to other property industry databases as appropriate.

## Value for money

28 A measure of value for money can be calculated for a proposal thus: divide the NPV to the UK economy of the proposal, at the Treasury test discount rate, by the value of the proposed LSC contribution. This indicator is specifically recommended by the Treasury for situations in which decisions about rationing capital need to be made. It will be weighed against the other selection criteria in reaching a decision on any proposal.

## Space utilisation

29 The LSC will require evidence that the institution has fully addressed the efficient use of floorspace and facilities in its accommodation strategy. For further advice on FE projects, see the LSC booklet *Guidance on Property Strategies* (Supplement A to Circular 02/20).

## Projects required in order to meet legal requirements

30 The LSC will give preference to:

- projects with evidence of a significant amount of remaining urgent health and safety-related works on buildings to be retained;
- other legally required works such as those required, for example, under DDA/SENDA; and
- works intended to broaden participation by those attending the institution, in particular, by improving access and facilities for learners with learning difficulties and/or disabilities.

## Financing

31 The LSC will give preference firstly to PPP/PFI projects and secondly to loan-financed projects.

## Stage 4: Moderation Arrangements

32 Local LSCs will determine the priority of competing capital applications according to the extent that they will contribute to meeting the LSC's local and national targets and objectives. In the event of

applications for capital grant exceeding the funds available, the LSC will put in place national moderation arrangements to determine the relative priority to be given to competing applications.

## Capital Criteria for Grants to Specialist Colleges and Other Qualifying FE Providers for Learners with Learning Difficulties and/or Disabilities

33 The following criteria have been developed in response to the policy drivers contained within *Through Inclusion to Excellence* regarding the need to increase the supply of high quality, regional/local provision for learners with learning difficulties and/or disabilities.

### Part A

34 Specialist colleges applying for capital funds must be able to demonstrate compliance with **all** of the following criteria.

- A review of the latest inspection outcomes must show that **all** grades, including capacity to improve, are **at least satisfactory or better**. (Where the date of the last inspection by Ofsted/ALI exceeds 12 months, account will also be taken of the outcomes of the latest annual assessment visit).
- Outcomes from the latest LSC annual review of the college must show good progress against targets and improvement indicators.
- The latest published Commission for Social Care Inspection report must show that all standards have been met, that is, there are no grades 1 (standard not met) or 2 (standard almost met) in the report.
- The LSC must have confirmed that the college is compliant with all areas of the LSC's contract (the general terms and conditions of purchase).
- The college is not the subject of any restrictive terms and conditions (for example a new provider with a one/two-year contractual agreement).
- The college must demonstrate financial assurance in that:
  - the college has returned its latest annual report and accounts to the regional PFA team;
  - the most recent PFA audit outcomes have been taken into consideration by the college;

- the financial review has taken account of the college's relationship with any parent company/charity and the use of existing resources has been considered; and
- at least 50 per cent of the college's income comes from the LSC.

35 Colleges that can demonstrate compliance with the criteria detailed at Part A, above, can progress to Part B, detailed below.

*Part B*

36 As set out in *Through Inclusion to Excellence*, the LSC wishes to support the development of local/regional provision for learners with learning difficulties and/or disabilities and will give priority to capital proposals in support of this aim.

37 The following key issues should be referenced in the bid:

- details of any proposed collaborative arrangements with other agencies/providers within the region;
- how the proposed development will contribute to the local and regional core priorities for planning and funding. This must also take account of the local and regional priorities for learners with learning difficulties and/or disabilities; and
- details of the needs analysis carried out by the college to support the bid, including details of meetings and dialogue with the local/regional LSC.

38 LSC funds must be directed to support the provision of learning opportunities. To this end, the LSC would not be able to support a capital bid where the primary focus is for the provision of additional residential accommodation. However, the LSC may support, for example, a capital bid to provide semi-independent living accommodation as part of an independent living programme and transition planning for learners (where the residential accommodation is also used as a teaching and learning facility).

# Annex B: Financial Affordability Guidance

## Introduction

1 Providers are required to submit updated financial plans as part of their applications for LSC capital grant support funding. The purpose of the updated financial plan is to demonstrate that the provider can afford to undertake the project while sustaining or improving its financial health in the medium term to financial health group A or at least a strong group B. Providers are expected to plan their financial affairs, including borrowing levels, to meet this affordability objective.

## Updated financial plan

2 In order to ensure consistency with past performance, the baseline year of a financial plan

should be the most recent audited accounts, and changes from that baseline, if any, justified in detail. Affordability relies on realistic achievable financial forecasts from the current year to the third year after substantive project completion, normally the full opening of the relevant building to learners.

3 Financial plans are rigorously assessed on a consistent basis to determine the appropriate level of capital support grant for each project. It is not acceptable for any provider to forecast poor operating performance in order to predict poor financial health with a view to gaining a higher level of grant.

**Table 4: LSC levels of capital delegation (November 2006)**

| Approval required                                      | Delegation  | Delegated authority to approve              |
|--|---|---|
| <b>Project approval and grant support</b>              | Projects up to £5 million and 35% grant   | Regional Directors<br>Director of Resources |
|  | Projects up to £10 million and 50% grant  | Chief Executive or National Chairman        |
|  | Projects up to £30 million and 100% grant (including fee support to detailed applications)      | Capital Committee                           |
|  | Projects above £30 million and up to 100% grant (including fee support to detailed application) | National Council                            |
| <b>Project feasibility studies</b>                     | 50% contribution to upfront feasibility fee costs of up to £200,000                             | Regional Directors<br>Director of Resources |
|  | 50% contribution to pre-approval in principle fee support costs of up to £500,000               | Regional Directors<br>Director of Resources |
| <b>Property related consents with no grant support</b> | Projects with values or costs of up to £5 million and/or secured borrowing up to £10 million    | Regional Directors<br>Director of Resources |
|  | Proposals with values or costs above £5 million and/or secured borrowings above £10 million     | Chief Executive or National Chairman        |

**Table 5: Minimum qualifying project expenditure**

| Most recent audited college turnover           | Minimum qualifying project expenditure |
|--|--|
| Less than £2 million                           | £100,000                               |
| More than £2 million and less than £10 million | 5% of college turnover                 |
| More than £10 million                          | £500,000                               |

## Affordability assessment

4 The LSC regional PFM teams carry out checks on affordability in order to satisfy the National Council and Capital Committee that capital grants are no higher than is absolutely necessary. Senior regional finance staff and, for projects going to the national Capital Committee for approval, the national PFM team review and moderate capital project proposals to ensure national consistency. Applicants should not expect any local LSC or regional agreement to formally support a particular level of capital grant before this process has been completed. Local/area LSCs will involve regional PFM teams as soon as possible in the affordability assessment process in order to ensure timely processing of applications.

5 The national Capital Committee will continue to consider all project applications with estimated costs in excess of £10 million or where the grant requirement is in excess of 50 per cent. The national Capital Committee recognises that the LSC's capital agenda for the FE sector requires providers to bring forward larger scale proposals, which will in some cases require higher levels of capital grant support than have normally been the case to date. The LSC levels of capital delegations are summarised in the table on the previous page.

6 The minimum level of grant support for a project that meets all the LSC criteria remains 10 per cent, except where the college has received other grant funds from other sources or receipts from related asset sales, which make such a contribution unnecessary. The *de minimus* level of qualifying project expenditure for capital grant purposes is £100,000 (the current level for all qualifying FE providers) for colleges with an audited turnover of less than £2 million, or 5 per cent of a college's most recent audited annual turnover for colleges with a most recent audited turnover between £2 million and £10 million, or £500,000 for colleges with a turnover beyond £10 million. To avoid doubt, this information is repeated in the table above.

## Level of capital grant support

7 In order for the LSC to decide the appropriate level of grant for a project, the provider will usually be

required to demonstrate need by producing financial forecasts for a range of grant levels to be agreed between the college and the LSC. The starting point prior to 2004 had been a capital grant support level of 35 per cent. However, the providers should now confirm an appropriate starting point with the regional PFM team. If, at a particular level, the financial plan indicates the financial health of the provider (by the third year after substantive completion of the project) is other than financial health group A or a strong group B, then at least two higher levels should be modelled to calculate the likely grant level required. If the financial plan indicates very strong financial health (by the third year after substantive completion of the project) then the LSC would require at least two lower levels of grant to be modelled. Providers that have cash reserves from past asset sales not yet fully spent on subsequent capital projects will normally be required to deplete those funds before consideration is given to any level of capital grant support.

## Borrowing levels

8 Providers are expected to increase their borrowing to reasonable levels in order to finance capital projects before the LSC will consider capital grant applications. As a guide, the national Capital Committee has confirmed it would normally expect providers currently in financial health groups A and B to have a borrowing level within a normal range of 30 per cent to 40 per cent of total income (by the third year after substantive completion of the project). For providers currently in financial health group C, with recovery plans instigated by the LSC under the Financial Memorandum, the expected normal range of borrowing would be lower at 15 per cent to 25 per cent of total income. Other providers currently in financial health group C would not normally qualify for this lower range of borrowing. **It is stressed that the overriding consideration for all providers is affordability**, and the LSC will consider in each case whether a provider may be in a position to borrow more or less than is indicated by these normal ranges.

9 Providers are expected to plan to borrow sufficient funds to meet both their solvency and capital needs; insufficient borrowing can result in financial health

appearing weaker than it should. Providers are also expected to plan to repay borrowing for capital purposes over a reasonable term, normally 20 to 25 years; again, shorter repayment periods can result in financial health appearing weaker than it should.

### Providers in financial difficulty

10 A provider in financial health group C is expected to develop a plan to improve its financial health to group B or A (either through the normal business planning cycle or by developing a strategic recovery plan) before bringing forward a capital project for LSC capital grant support. It is recognised that where a provider is in a financial recovery situation:

- capital projects may form part of a strategic recovery plan;
- grant support for essential projects may not materially help achieve the required improvement in financial health; and
- a capital project may not be of sufficient scale to impact on financial health.

11 Where a provider has a recovery plan instigated by the LSC under the terms of the Financial Memorandum, it is likely that significant changes will have been made to the management of the college, or that the college inheritance on incorporation or following merger was particularly poor. It cannot necessarily be assumed that colleges in recovery will justify a higher level of capital support.

12 Capital applications from providers in financial difficulty will be considered on their merits but the providers concerned will normally have to demonstrate that the appropriate levels of solvency would be achieved through other measures. It is essential that a higher level of capital project support grant is not sought to solve a provider's immediate solvency problems. This should properly be resolved by recovery planning or other interventions.

### Phased projects

13 Where the Capital Committee is invited to give consent in principle to a major project in several phases (for example, campus relocation over several years) then, even where an indicative average grant level appears relevant over the whole project, the detailed consent for each phase will usually be assessed for affordability on that stage alone. For example, a project may show an indicative average need of 40 per cent grant but stage 1 (where the college has a good amount

of cash) may be assessed as 20 per cent, then stage 2 as 40 per cent, then stage 3 as 60 per cent. This allows the LSC to recheck the situation and to review updated projections before each stage and, indeed, guards against the situation where only stage 1 is eventually completed.

### Project variations

14 The LSC reserves the right in exceptional circumstances to review the level of grant in the light of very significant differences between financial health forecasts and actual outturns. The post project review form in Annex E has been amended to incorporate updated financial information and financial health assessment in order to inform this process.

# Annex C: Guidance on Property Transactions

## Introduction

1 FE colleges should follow the guidance set out in this annex prior to carrying out any property transaction regardless of the monetary value of the transaction, whether or not it is an acquisition or disposal or requires the LSC's consent.

2 As part of the Financial Memorandum (FEFC Circular 98/30) between all incorporated FE colleges and the LSC, colleges should obtain the consent of the LSC prior to disposing of or acquiring land or buildings where the total cost exceeds £1 million or 5% of the college's total annual revenue, whichever is the lower. It should be noted that as a result of the recent consultation to amend the Financial Memorandum, the consent threshold of £1 million may be increased to £1.5 million. However, for the time being the threshold figure remains at £1 million. For property transactions below this value, with the exception of option agreements as stated below, colleges do not require the consent of the LSC. However it is advisable that even when consent is not required that colleges still follow the guidelines as laid out in this annex.

## Types of transaction

3 These guidelines apply to the following types of property transactions for both land and buildings:

- acquisition of freehold property
- disposal of freehold property
- acquisition of a lease
- renewal of a lease
- surrender or assignment of a lease
- leasing of premises to another party
- entering into an option agreement to acquire or dispose of property.

4 In cases of leasehold transactions, the capital cost of the lease is calculated by capitalising the annual rent (exclusive of VAT or service charges) paid or received by the college at a multiplier of 10 per cent. If this is below £1 million or 5 per cent of the college's annual revenue then LSC consent is not required.

5 In the case of legally binding option agreements whereby the college concerned would be contractually bound to complete a transaction if certain conditions are met, the prior consent of the LSC is required where the total value of property which the option relates is estimated to be more than £1 million or 5% of revenue. This is the case regardless of how large or small the actual cost of the option agreement itself.

## Procedure

6 Before proceeding with an acquisition or disposal, it is expected that the transaction has previously been identified within the college's property strategy and that there is an educational justification for the transaction which is compatible with the college's development plan. This does not necessarily exclude colleges from acquiring specific properties that unexpectedly come up for sale, although it is expected that the case for additional space or land will already have been identified within the college's strategy.

## Disposals

7 Colleges should normally always go out to the open market when disposing of property, apart from in exceptional circumstances as listed below. Colleges are expected to seek appropriate expert professional advice in the marketing of the property and to choose the most suitable method of marketing and disposing of the property based on the professional advice that they receive. The advice of selling agents should be obtained on whether tenders should be binding or non-binding. Unless there are overriding reasons, properties with development potential should be marketed with the benefit of the most favourable planning permission (or planning brief for larger sites, particularly when mixed use is being sought).

8 An independent valuation of the property should normally be obtained from a suitable property professional. For sales or acquisitions in excess of £1 million these should not normally be the same property professionals who undertake the marketing and selling of the property. It is advisable, although not essential, in all other cases to have an independent valuation of the property.

9 In selecting a preferred purchaser, the college should seek to obtain the best value for money. This means that the college should always select the highest bidder except where the conditions attached to the bid are judged to be unfavourable compared with the next highest bidder. In these cases colleges should take on board the professional advice (both property and legal) that they receive and should inform their RPA at an early stage.

10 The college's governing body should then give its informed consent to the sale of the property to the proposed purchaser at the specific sale price.

11 All these actions should have taken place before consent is requested from the LSC. A minimum of four weeks should be allowed for the LSC to process the consent.

## Acquisitions

12 Colleges should always obtain an independent valuation, from an appropriate professional, of any property they are proposing to acquire. It is expected that colleges should not pay more than the market value for a property. This also applies to colleges entering into long leases.

13 Colleges should consider alternative options prior to the acquisition of a property and notify the LSC in advance if the acquisition forms part of a capital project application or is likely to be part of a capital application. In addition the colleges will need to show that they have sufficient finances to finance the acquisition and, where consent is required, provide a financial forecast indicating that the acquisition can be financed without materially threatening future solvency. The acquisition can form part of a capital project application or can be part of a wider consent for redevelopment where capital grant is not being requested. In these cases further advice should be sought from the RPA.

14 The college's governing body should then give its informed consent to the purchase of the property at a

specific sale price and also give its consent to the funding and financing of the acquisition.

15 A minimum of six weeks should be allowed for the LSC to process the consent.

## Exceptional circumstances

16 Where a college is disposing of a property there may be some circumstances where it is acceptable not to place the property on the open market. Some examples are listed below.

- The prospective purchaser already has a legal interest in the property, such as a lease of part or the whole of the property which is to be sold.
- The prospective purchaser is an adjacent owner and, as a result of the location, would have exclusive access rights to the property so the property would have a limited value if it was to be sold to a third party.
- The prospective purchaser is another FE college or university.
- The prospective purchaser is another public body, although in these circumstances it may be expected that the property is still placed on the open market or a disposal price referenced to open market value as determined by a neutral third party such as the district valuer.

Other than where a sale price is being determined by the district valuer, an independent valuation will normally be required in all of these circumstances.

## Other matters

17 In disposing of property that is to be sold for residential or commercial/industrial development, colleges, in consultation with their professional advisors, should always seek to insert an 'overage' clause in the contract of sale allowing colleges to benefit from future increases in the value of the property as development takes place.

18 Where a college is proposing to dispose of or let land and buildings that have been acquired by Exchequer funds (that is, using direct capital grant from the Council or its predecessor body, the FEFC), the LSC may require the college to surrender some or all of the proceeds to pay back the grant or, alternatively, require the sale proceeds to be retained in a restricted reserve for future capital investment in the college's estate.

# Annex D: Glossary

## **ALI**

Adult Learning Inspectorate

## **CoVE**

Centre of Vocational Excellence

## **BSF**

Building Schools for the Future

## **DDA/SENDA**

*Disability Discrimination Act Part 4, as amended by the Special Educational Needs and Disabilities Act 2001*

## **DfES**

Department for Education and Skills

## **ELWA**

Education Learning Wales

## **ERDF**

European Regional Development Fund

## **FE**

further education

## **FEEMS**

Further Education Estates Management Statistics Study

## **FEFC**

Further Education Funding Council

## **FTE**

full-time equivalent

## **glh**

guided learning hours

## **HE**

higher education

## **HEFCE**

Higher Education Funding Council for England

## **HEI**

higher education institute

## **LA**

local authority

## **local LSC**

local Learning and Skills Council

## **LSC**

Learning and Skills Council

## **LSDA**

Learning and Skills Development Agency

## **NLDC**

neighbourhood learning in deprived communities

## **NPV**

net present value

## **Ofsted**

Office for Standards in Education

## **PCDL**

Personal and Community Development Learning

## **PFM**

provider financial management

## **PPP/PFI**

public private partnership/private finance initiative

## **RCS**

Regional Capital Strategy

**RPA**

Regional Property Advisor

**RIBA**

Royal Institute of British Architects

**RICS**

Royal Institution of Chartered Surveyors

**SRB**

Single Regeneration Budget

**StAR**

strategic area review

# Annex E: Capital Forms

## Summary

These forms are to be used by providers applying for capital grant support for proposed capital projects. The LSC will consider each proposal for capital expenditure on the basis that the educational, financial and property assessments have been addressed satisfactorily. Also included here are the relevant forms for claiming capital grant support on approved projects. Providers should only complete the Excel versions of these forms. The PDF versions are for information only.

## Form A: Application for Capital Project Grant Support

### College Details

College name (please print)

Address

Postcode

Region

Project title

Project description

College contact

Position

Telephone number

Email

## Form A

### Project Capital Cost/Funding/Financing

Please state the college's preferred financing and funding proposals by summarising in the tables below.

| Project costs and LSC contribution   |                          |
|--|--------------------------|
| a. Total project cost (including VAT, fees, external works, equipment, fixtures and fittings, but excluding free land) | <input type="text"/>     |
| b. Other LSC funding (for example, CoVE)   | £ <input type="text"/> - |
| c. Eligible project costs (a - b)  | £ <input type="text"/> - |
| d. Requested LSC contribution (%)*   | <input type="text"/>     |
| e. LSC contribution (c x d)  | £ <input type="text"/> - |

\* The LSC contribution will be determined by affordability considerations

| Project funding                             |                        |                        |                        |                        |                        |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|
|   | Total                  | Current year           | Year 1                 | Year 2                 | Year 3                 |
| Capital cost                                | £                      | £                      | £                      | £                      | £                      |
| <b>Funded by</b>                            |                        |                        |                        |                        |                        |
| f. Requested LSC contribution               | <input type="text"/> - | <input type="text"/>   | <input type="text"/>   | <input type="text"/>   | <input type="text"/>   |
| g. Other LSC funding                        | <input type="text"/> - | <input type="text"/>   | <input type="text"/>   | <input type="text"/>   | <input type="text"/>   |
| h. College contribution                     | <input type="text"/> - | <input type="text"/>   | <input type="text"/>   | <input type="text"/>   | <input type="text"/>   |
| j. ERDF/RDA grants                          | <input type="text"/> - | <input type="text"/>   | <input type="text"/>   | <input type="text"/>   | <input type="text"/>   |
| k. Other public sector grants (incl. HEFCE) | <input type="text"/> - | <input type="text"/>   | <input type="text"/>   | <input type="text"/>   | <input type="text"/>   |
| m. Other (private finance)                  | <input type="text"/> - | <input type="text"/>   | <input type="text"/>   | <input type="text"/>   | <input type="text"/>   |
| n. Other                                    | <input type="text"/> - | <input type="text"/>   | <input type="text"/>   | <input type="text"/>   | <input type="text"/>   |
| <b>Total funding</b>                        | <input type="text"/> - | <input type="text"/> - | <input type="text"/> - | <input type="text"/> - | <input type="text"/> - |

| Project financing   |                        |                        |                        |                        |                        |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|
|   | Total                  | Current year           | Year 1                 | Year 2                 | Year 3                 |
| Capital Cost  | £                      | £                      | £                      | £                      | £                      |
| <b>Financed by</b>  |                        |                        |                        |                        |                        |
| o. ERDF/RDA grant and other public sector grants (please specify) | <input type="text"/> - | <input type="text"/>   | <input type="text"/>   | <input type="text"/>   | <input type="text"/>   |
| p. Loan finance (unsecured)                                       | <input type="text"/> - | <input type="text"/>   | <input type="text"/>   | <input type="text"/>   | <input type="text"/>   |
| q. Loan finance (secured)   | <input type="text"/> - | <input type="text"/>   | <input type="text"/>   | <input type="text"/>   | <input type="text"/>   |
| r. Disposal proceeds  | <input type="text"/> - | <input type="text"/>   | <input type="text"/>   | <input type="text"/>   | <input type="text"/>   |
| s. College reserves (cash)  | <input type="text"/> - | <input type="text"/>   | <input type="text"/>   | <input type="text"/>   | <input type="text"/>   |
| t. Private equity   | <input type="text"/> - | <input type="text"/>   | <input type="text"/>   | <input type="text"/>   | <input type="text"/>   |
| u. Leasing  | <input type="text"/> - | <input type="text"/>   | <input type="text"/>   | <input type="text"/>   | <input type="text"/>   |
| v. Other  | <input type="text"/> - | <input type="text"/>   | <input type="text"/>   | <input type="text"/>   | <input type="text"/>   |
| <b>Total financing</b>  | <input type="text"/> - | <input type="text"/> - | <input type="text"/> - | <input type="text"/> - | <input type="text"/> - |

## Form A

### Financial Summary and Net Present Value

| Financial summary from audited accounts |                      |  |                      |
|---|----------------------|--|----------------------|
| Financial health category               | <input type="text"/> | Date of last inspection                              | <input type="text"/> |
| Cash days in hand                       | <input type="text"/> | Ofsted leadership and management outcome             | <input type="text"/> |
| Current ratio                           | <input type="text"/> | Amount of feasibility fee support requested/approved | <input type="text"/> |
| College turnover (£)                    | <input type="text"/> |  |                      |

| Net present value (NPV)  |  |                                  |                      |
|--|--|----------------------------------|----------------------|
| Please indicate the net present value (NPV) of the following:  |  |                                  |                      |
| Preferred option   |  |                                  | <input type="text"/> |
| Next best option   |  |                                  | <input type="text"/> |
| Base case  |  |                                  | <input type="text"/> |
| The value-for-money indicators shown below are derived by dividing the NPV of each option by the proposed total capitalised contribution from the LSC. |  |                                  |                      |
| <b>Preferred option:</b>   |  |                                  |                      |
| NPV  |  | <input type="text" value="£ -"/> | <input type="text"/> |
| =  |  |                                  |                      |
| Total LSC contribution   |  | <input type="text" value="£ -"/> |                      |
| <b>Next best option:</b>   |  |                                  |                      |
| NPV  |  | <input type="text" value="£ -"/> | <input type="text"/> |
| =  |  |                                  |                      |
| Total LSC contribution   |  | <input type="text"/>             |                      |
| <b>Base case:</b>  |  |                                  |                      |
| NPV  |  | <input type="text" value="£ -"/> | <input type="text"/> |
| =  |  |                                  |                      |
| Total LSC contribution   |  | <input type="text"/>             |                      |

**Form A**

**Guided Learning Hours**

|                                    | FE | HE | Adult education | 14-16 | On-site WBL | Other (please specify) | Total annual on-site daytime GLH |
|------------------------------------|----|----|-----------------|-------|-------------|------------------------|----------------------------------|
| Latest audited on-site daytime GLH |    |    |                 |       |             |                        | -                                |
| Current year GLH                   |    |    |                 |       |             |                        | -                                |
| FTEs                               |    |    |                 |       |             |                        | -                                |
| Audited ILR GLH per FTE            | 0  | 0  | 0               | 0     | 0           | 0                      | -                                |
| Current year GLH per FTE           | 0  | 0  | 0               | 0     | 0           | 0                      | -                                |

Please provide your college's audited GLH figures for the previous three years.

|                                 | Previous three years |   |   | Latest audited return | Current year |
|---------------------------------|----------------------|---|---|-----------------------|--------------|
| Audited on-site daytime GLH     |                      |   |   | -                     | -            |
| Difference in GLH per annum +/- | -                    | - | - | -                     | -            |
| GLH trend +/- (%)               | 0%                   |   |   |                       |              |

Please provide your college's five-year forecasted GLH figures.

|                                 | Current year | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---------------------------------|--------------|--------|--------|--------|--------|--------|
| On-site daytime GLH             | -            |        |        |        |        |        |
| Difference in GLH per annum +/- | -            | -      | -      | -      | -      | -      |
| GLH trend +/- (%)               | 0%           |        |        |        |        |        |

Has the level of GLH growth as shown above (if any) been agreed with the LSC? Yes/No



**Form A**

**Space Utilisation: Analysis of College Floor Space Requirements**

| Effect of project on college's total gross internal floor area |   | Latest audited data before project | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|--|---|------------------------------------|--------|--------|--------|--------|--------|
|  | SFC <input type="text"/> Other <input type="text"/>   |                                    |        |        |        |        |        |
| a.   | Total gross internal area before project, as agreed with the LSC (m <sup>2</sup> )  |                                    | -      | -      | -      | -      | -      |
| b.   | Reduction in gross internal area arising from project (m <sup>2</sup> )   |                                    |        |        |        |        |        |
| c.   | New area created by project (m <sup>2</sup> )   |                                    |        |        |        |        |        |
| d.   | Net change in area (m <sup>2</sup> ) (c - b)  | -                                  | -      | -      | -      | -      | -      |
| e.   | Total gross internal area (m <sup>2</sup> ) after project (a + d)   | -                                  | -      | -      | -      | -      | -      |
| f.   | Gross internal area minus 1500m <sup>2</sup> if SFC or gross internal area minus 1650m <sup>2</sup> if other type   |                                    |        |        |        |        |        |
| g.   | Area to be refurbished in project (m <sup>2</sup> )   |                                    |        |        |        |        |        |
| h.   | Total annual on-site daytime guided learning hours  | -                                  | -      | -      | -      | -      | -      |
| j.   | Minimum number of workplaces (MNW) (h / 1440)   | 0                                  | 0      | 0      | 0      | 0      | 0      |
| k.   | Total gross internal area per MNW (m <sup>2</sup> ) (f / j)   |                                    |        |        |        |        |        |
| m.   | Theoretical need (m <sup>2</sup> ) college for: sixth form colleges (1500m <sup>2</sup> + 10m <sup>2</sup> per MNW) other types of colleges (1650m <sup>2</sup> + 11.5m <sup>2</sup> per MNW) |                                    |        |        |        |        |        |
| n.   | Percentage over/under-capacity of the college [(e / m) - 1] x 100   |                                    |        |        |        |        |        |
| o.   | Total observed workplaces before the scheme   |                                    |        |        |        |        |        |
| p.   | Total workplaces after the scheme has been completed  |                                    |        |        |        |        |        |
| q.   | Area of college improved for learners with learning difficulties and/or disabilities (m <sup>2</sup> )  |                                    |        |        |        |        |        |
| r.   | Area now available to non-ambulant learners (m <sup>2</sup> )   |                                    |        |        |        |        |        |

## Form A

## Building Cost Breakdown

| Elemental data analysis for project   |                   |                         |                       |                   |   |           |                                      |                                    |
|---|-------------------|-------------------------|-----------------------|-------------------|---|-----------|--------------------------------------|------------------------------------|
| College name  |                   |                         | <input type="text"/>  |                   |   | Building  |                                      | <input type="text"/>               |
| Local LSC   |                   |                         | <input type="text"/>  |                   |   | Region    |                                      | <input type="text"/>               |
| Gross internal area, new build (m <sup>2</sup> )  |                   |                         | <input type="text"/>  |                   |   | Base date |                                      | <input type="text"/>               |
| Gross internal area, refurbishment (m <sup>2</sup> )  |                   |                         | <input type="text"/>  |                   |   |           |                                      |                                    |
| Element   | Cost of new build | % Cost                  | Cost of refurbishment | % Cost            | Cost in relation to design for sustainability | % Cost    | Cost/m <sup>2</sup> Gross floor area |                                    |
|   | £                 |                         | £                     |                   | £   |           | New build £ per m <sup>2</sup>       | Refurbishment £ per m <sup>2</sup> |
| <b>1 Substructure</b>   |                   |                         |                       |                   |   |           |                                      |                                    |
| <b>2 Superstructure</b>   |                   |                         |                       |                   |   |           |                                      |                                    |
| 2A Frame  |                   |                         |                       |                   |   |           |                                      |                                    |
| 2B Upper floors   |                   |                         |                       |                   |   |           |                                      |                                    |
| 2C Roof   |                   |                         |                       |                   |   |           |                                      |                                    |
| 2D Stairs   |                   |                         |                       |                   |   |           |                                      |                                    |
| 2E External walls   |                   |                         |                       |                   |   |           |                                      |                                    |
| 2F Windows and external doors   |                   |                         |                       |                   |   |           |                                      |                                    |
| 2G Internal walls and partitions  |                   |                         |                       |                   |   |           |                                      |                                    |
| 2H Internal doors   |                   |                         |                       |                   |   |           |                                      |                                    |
| <b>Superstructure subtotal</b>  |                   |                         |                       |                   |   |           |                                      |                                    |
| <b>3 Internal finishes</b>  |                   |                         |                       |                   |   |           |                                      |                                    |
| 3A Wall finishes  |                   |                         |                       |                   |   |           |                                      |                                    |
| 3B Floor finishes   |                   |                         |                       |                   |   |           |                                      |                                    |
| 3C Ceiling finishes   |                   |                         |                       |                   |   |           |                                      |                                    |
| <b>Internal finishes subtotal</b>   |                   |                         |                       |                   |   |           |                                      |                                    |
| <b>4 Fittings and furnishings</b>   |                   |                         |                       |                   |   |           |                                      |                                    |
| <b>5 Services</b>   |                   |                         |                       |                   |   |           |                                      |                                    |
| 5A Sanitary applications  |                   |                         |                       |                   |   |           |                                      |                                    |
| 5B Disposal installation  |                   |                         |                       |                   |   |           |                                      |                                    |
| 5C Mechanical installation  |                   |                         |                       |                   |   |           |                                      |                                    |
| 5D Electrical installation  |                   |                         |                       |                   |   |           |                                      |                                    |
| 5E Lift and conveyor installation   |                   |                         |                       |                   |   |           |                                      |                                    |
| 5F Builders' work in connection   |                   |                         |                       |                   |   |           |                                      |                                    |
| <b>Services subtotal</b>  |                   |                         |                       |                   |   |           |                                      |                                    |
| <b>BUILDING SUBTOTAL (1-5)</b>  |                   |                         |                       |                   |   |           |                                      |                                    |
| <b>6 External works</b>   |                   |                         |                       |                   |   |           |                                      |                                    |
| 6A Site works   |                   |                         |                       |                   |   |           |                                      |                                    |
| 6B Drainage   |                   |                         |                       |                   |   |           |                                      |                                    |
| 6C External services  |                   |                         |                       |                   |   |           |                                      |                                    |
| <b>External works subtotal</b>  |                   |                         |                       |                   |   |           |                                      |                                    |
| <b>7 Preliminaries</b>  |                   |                         |                       |                   |   |           |                                      |                                    |
| <b>SUBTOTAL (1-7)</b>   |                   |                         |                       |                   |   |           |                                      |                                    |
| <b>8 Contingencies</b>  |                   |                         |                       |                   |   |           |                                      |                                    |
| <b>9 Equipment</b>  |                   |                         |                       |                   |   |           |                                      |                                    |
| <b>10 Professional fees</b>   |                   |                         |                       |                   |   |           |                                      |                                    |
| <b>11 VAT</b>   |                   |                         |                       |                   |   |           |                                      |                                    |
| <b>TOTAL PROJECT COST</b>   |                   |                         |                       |                   |   |           |                                      |                                    |
| <b>Total net construction costs (new build + refurbishment cost)</b>  |                   |                         |                       |                   |   | £0        |                                      |                                    |
| <b>Total gross construction costs (new build + refurbishment cost)</b>  |                   |                         |                       |                   |   | £0        |                                      |                                    |
| For definition of elements and sub-elements, please refer to the BCIS standard form of cost analysis – principals, instructions and definitions |                   |                         |                       |                   |   |           |                                      |                                    |
| <b>Key for % boxes:</b>   |                   |                         |                       |                   |   |           |                                      |                                    |
| Substructure  | = % of 1 to 5     | Services subtotal       | = % of 1 to 5         | Contingencies     | = % of 1 to 7                                 |           |                                      |                                    |
| Superstructure subtotal   | = % of 1 to 5     | BUILDING SUBTOTAL (1-5) | = % of 1 to 11        | Equipment         | = % of 1 to 11                                |           |                                      |                                    |
| Internal finishes subtotal  | = % of 1 to 5     | External works subtotal | = % of 1 to 7         | Professional fees | = % of 1 to 11                                |           |                                      |                                    |
| Fittings and furnishings  | = % of 1 to 5     | Preliminaries           | = % of 1 to 7         |                   |   |           |                                      |                                    |

## Form A

## Project Programme – Pre-contract and Construction

| ID                           | RIBA stages     | Task name                               | (College name)<br>project programme | Duration | Start | Finish | Anticipated project spend expenditure profile<br>(academic year) |        |        |
|------------------------------|-----------------|---|-------------------------------------|----------|-------|--------|--|--------|--------|
|                              |                 |   |                                     |          |       |        | Year 1   | Year 2 | Year 3 |
| 1                            | Project title:  |   |                                     |          |       |        |  |        |        |
| 2                            | Stage C:        | <b>Validation and project brief</b>     |                                     |          |       |        |  |        |        |
| 3                            |                 | Appointment of project manager          |                                     |          |       |        |  |        |        |
| 4                            |                 | Survey work                             |                                     |          |       |        |  |        |        |
| 5                            |                 | Plan layouts                            |                                     |          |       |        |  |        |        |
| 6                            |                 | Develop project brief                   |                                     |          |       |        |  |        |        |
| 7                            |                 | Outline planning consent                |                                     |          |       |        |  |        |        |
| 8                            | Stage D:        | <b>Detailed design and design brief</b> |                                     |          |       |        |  |        |        |
| 9                            |                 | Value engineering and risk analysis     |                                     |          |       |        |  |        |        |
| 10                           |                 | Detailed planning approval              |                                     |          |       |        |  |        |        |
| 11                           |                 | Detailed design                         |                                     |          |       |        |  |        |        |
| 12                           |                 | OJEU advert period                      |                                     |          |       |        |  |        |        |
| 13                           |                 | Issue design brief                      |                                     |          |       |        |  |        |        |
| 14                           | Stage H:        | <b>Tender period and evaluation</b>     |                                     |          |       |        |  |        |        |
| 15                           |                 | Tender period                           |                                     |          |       |        |  |        |        |
| 16                           |                 | Tender assessment                       |                                     |          |       |        |  |        |        |
| 17                           |                 | Tender award                            |                                     |          |       |        |  |        |        |
| 18                           | Stages J and K: | <b>Construction period</b>              |                                     |          |       |        |  |        |        |
| 19                           |                 | Mobilisation                            |                                     |          |       |        |  |        |        |
| 20                           |                 | Start-on-site                           |                                     |          |       |        |  |        |        |
| 21                           |                 | Completion of building                  |                                     |          |       |        |  |        |        |
| <b>LSC first claim date:</b> |                 |   |                                     |          |       |        |  |        |        |

**Form A**

**Project Programme – Pre-contract and Construction (continued)**

Please state in the box below the proposed or actual form of contract procurement/building contract (for example, design and build, management contracting, partnering).

## Form A

### Project Consultants

Please list in the table below the external consultants the applicant intends to use to manage and administer certain aspects of the project, providing details of their terms of appointment and professional fees.

| Task/title            | Consultant | Terms of appointment | Fee amount (please state percentage of contract or lump sum or retainer as appropriate) |
|-----------------------|------------|----------------------|---|
| Project manager       |            |                      |   |
| Consultant architects |            |                      |   |
| Quantity surveyor     |            |                      |   |
| Planning supervisor   |            |                      |   |
| Structural engineer   |            |                      |   |
| Electrical engineer   |            |                      |   |
| Mechanical engineer   |            |                      |   |
| Other services        |            |                      |   |

## Form A

### Declaration

I certify that the information provided in this application and in the project proposal is complete and correct.

Signature (Principal)

Name (please print)

Date

Telephone number

Email

## Form A

## Project Cost and Space Summary

|  |                      |
|--|----------------------|
| <b>College name</b>                      | <input type="text"/> |
| <b>Project title</b>                     | <input type="text"/> |
| <b>Region</b>                            | <input type="text"/> |
| <b>LSC project number</b> (LSC to input) | <input type="text"/> |

|                                  |                                 |                                  |
|----------------------------------|---------------------------------|----------------------------------|
| <b>Project cost and funding:</b> |                                 |                                  |
| Total project cost (£)           |                                 | <input type="text" value="£ -"/> |
| Eligible project cost (£)        |                                 | <input type="text" value="£ -"/> |
| Council contribution requested   | <input type="text" value="0%"/> | <input type="text" value="£ -"/> |

|   |                                  |                                  |
|---|----------------------------------|----------------------------------|
| <b>Project cost analysis and value for money:</b>                       |                                  |                                  |
|   | <b>New build</b>                 | <b>Refurbishment</b>             |
| Gross internal area (GIA) (m <sup>2</sup> )                             | <input type="text" value="-"/>   | <input type="text" value="-"/>   |
| Net construction cost (£)   | <input type="text" value="£ -"/> | <input type="text" value="£ -"/> |
| Gross construction cost (£)   | <input type="text" value="£ -"/> | <input type="text" value="£ -"/> |
| Net cost/m <sup>2</sup> (£/m <sup>2</sup> )                             | <input type="text" value="£"/>   | <input type="text" value="£"/>   |
| Gross cost/m <sup>2</sup> (£/m <sup>2</sup> )                           | <input type="text" value="£"/>   | <input type="text" value="£"/>   |
| Total gross construction cost (new build cost + refurbishment cost) (£) |                                  | <input type="text" value="£ -"/> |

|  |                                |   |
|--|--------------------------------|---|
| <b>Space information:</b>  |                                |   |
|  | <b>Before project</b>          | <b>After project</b><br>(3 years after completion<br>or Year 5 on space utilisation form) |
| Total college gross internal floor area (m <sup>2</sup> )                  | <input type="text" value="-"/> | <input type="text" value="-"/>  |
| Total annual on-site daytime<br>guided learning hours (latest audited GLH) | <input type="text" value="-"/> | <input type="text" value="-"/>  |
| Minimum number of workplaces (MNW)   | <input type="text" value="-"/> | <input type="text" value="-"/>  |
| Adjusted area per MNW (m <sup>2</sup> )                                    | <input type="text"/>           | <input type="text"/>  |

|                                    |                                  |                                       |
|------------------------------------|----------------------------------|---------------------------------------|
| <b>Net present value analysis:</b> |                                  | <b>Value-for-money<br/>indicators</b> |
| Preferred option                   | <input type="text" value="£ -"/> | <input type="text"/>                  |
| Next best option                   | <input type="text" value="£ -"/> | <input type="text"/>                  |
| Base case                          | <input type="text" value="£ -"/> | <input type="text"/>                  |

## Form B: Grant Support Claim Form

**Please complete and return to the property team at the LSC National Office.**

Colleges are reminded to return a fully completed, **as-tendered elemental cost breakdown** with their **first claim**, as set out in the conditions of grant funding agreement letter. Without this, the claim cannot be processed.

|                              |                |
|------------------------------|----------------|
| College name (please print)  | _____          |
| Project title                | _____<br>_____ |
| LSC project reference number | _____          |

| <b>a) Project cost details</b>                            | Approved (£)* | Actual (£) |         | <b>For LSC use only</b>   |
|---|---------------|------------|---------|---|
| Land purchased  | _____         | _____      |         | Ref no.<br><br>Account code<br><br>Staged payment amount<br><br>Checked by CBO<br><br>Date<br><br>Checked for feasibility fee support<br><br>Authority 1<br><br>Date<br><br>Authority 2<br><br>Date |
| Building(s) purchased                                     | _____         | _____      |         |   |
| New build   | _____         | _____      |         |   |
| Refurbishment cost  | _____         | _____      |         |   |
| External works  | _____         | _____      |         |   |
| Furniture and equipment                                   | _____         | _____      |         |   |
| Professional fees   | _____         | _____      |         |   |
| VAT   | _____         | _____      |         |   |
| <b>Total</b>  | _____         | _____      |         |   |
| * as in investment appraisal/application form             |               |            |         |   |
| <b>b) Grant support schedule</b>                          |               |            |         |   |
| Please refer to offer letter for payment breakdown        |               |            |         |   |
|   | Year 1        | Year 2     | Year 3  |   |
|   | £ _____       | £ _____    | £ _____ |   |
| <b>c) Payment details</b>                                 |               |            |         |   |
| Total LSC support   |               | £ _____    |         |   |
| Project cost to date                                      |               | £ _____    |         | Date  |
| Amount already paid in previous claim                     |               | £ _____    |         |   |
| Amount of feasibility fee support claimed (if applicable) |               | £ _____    |         | Authority 2   |
| Amount due this claim                                     |               | £ _____    |         | Date  |

**Form B****d) Supporting documentation sent with this claim**

(Please tick as appropriate)

|   |                          |
|---|--------------------------|
| Certificate of practical completion                           | <input type="checkbox"/> |
| Architect's or equivalent certificate of expenditure incurred | <input type="checkbox"/> |
| Invoices/receipts   | <input type="checkbox"/> |
| Other (please specify in box below)                           | <input type="checkbox"/> |
| As-tendered elemental cost breakdown                          | <input type="checkbox"/> |

Please provide a summary of attached invoices/receipts with clear referencing to the breakdown in section A.

**e) Sources of project funding**

|                                  | Approved (£) | Actual (£) |
|----------------------------------|--------------|------------|
| College reserves                 | _____        | _____      |
| Unsecured borrowing              | _____        | _____      |
| Secured borrowing                | _____        | _____      |
| European grants                  | _____        | _____      |
| Other (private) (please specify) | _____        | _____      |
| Other (please specify)           | _____        | _____      |
| Total                            | _____        | _____      |

**f) Declaration**

I certify that the amount claimed is to be applied for the purpose for which the funds have been made available. I also declare that the above expenditure has not formed part of any other claim except as declared in section (e) above.

Signature \_\_\_\_\_

Name (please print) \_\_\_\_\_

Position \_\_\_\_\_

Date \_\_\_\_\_

Telephone no. \_\_\_\_\_

Email \_\_\_\_\_

## Form C1: Application Form for Feasibility Fee Support (Stage One)

### Stage One

Colleges undertaking feasibility studies for large rationalisation projects (estimated capital cost of over £5 million) and PFI projects for premises and other services may apply to the LSC for financial support towards the fee costs likely to be incurred in employing consultants to assist with the studies, but **not** for the preparation of property strategies.

**Please complete and return two copies of this form to the appropriate Learning and Skills Council local partnership team and send one copy to the LSC Regional Property Adviser.**

College name (please print) \_\_\_\_\_

College address \_\_\_\_\_

Postcode \_\_\_\_\_

Contact name (please print) \_\_\_\_\_

Telephone no. \_\_\_\_\_

Email \_\_\_\_\_

**1 Project title** (PFI/PPP/rationalisation) (delete as appropriate)

Is the project the subject of an application to the LSC for capital project support?

(Please indicate) Yes  No  If yes, date

Estimated capital project cost £

Area new build  m<sup>2</sup>

Area refurbishment  m<sup>2</sup>

Estimated start date on site

Estimated completion date

Total fee cost £

LSC contribution requested £  (50%)

Reference to proposed project in property strategy

Page

**Form C1****2 Description of feasibility proposals**

|  |
|--|
|  |
|--|

Please submit a copy of the feasibility project brief with this application form.

**3 Consultancy firms to be appointed**

| Task | Consultant | Terms of appointment | Fee details (percentage of contract cost or lump sum or retainer or other, as appropriate) |
|------|------------|----------------------|--|
|      |            |                      |  |

## Form C1

### 4 Declaration

**I certify that the support requested will be applied for the purposes for which these funds have been made available.**

|                     |
|---------------------|
| Signature           |
| Name (please print) |
| Date                |
| Telephone number    |
| Email               |

## Form C2: Application For for Project Fee Support (Stage Two) – Support up to Application In-Principle Stage

Please complete and return two copies of this form to the appropriate Learning and Skills Council local partnership team and send one copy to the LSC Regional Property Advisor.

College name (please print) \_\_\_\_\_

College address \_\_\_\_\_

Postcode \_\_\_\_\_

Contact name (please print) \_\_\_\_\_

Telephone no. \_\_\_\_\_

Email \_\_\_\_\_

Stage Two project fee support is offered for projects in excess of £10 million in order to help meet the cost of developing proposals to an in-principle approval stage.

In-principle applications should be developed to RIBA Stage C, which identifies the following actions.

- Commence development of strategic brief into project brief.
- Prepare outline proposal to include floor plans and proposed elevations.
- Provide an approximation of construction costs.
- Obtain a clear indication of town planning issues including onerous Section 106 agreements.

Second stage project fee support will be payable against proof of eligible expenditure on a matched expenditure (£ for £) basis to a maximum contribution from the LSC of £250,000 to take an application to the in-principle stage.

This support is not additional funding but an advance of support to help ease the cash flow.

**1 Project title** (PFI/PPP/rationalisation) (delete as appropriate)

|  |
|--|
|  |
|--|

## Form C2

Estimated capital project cost            £

Area new build                                     m<sup>2</sup>

Area refurbishment                             m<sup>2</sup>

Estimated start date on site               

Estimated completion date                

Total fee cost up to AiP                     £

LSC contribution requested                 £  (50%)

### 2 Description of the proposals

Please submit a copy of the project brief with this application form.

### 3 Consultancy firms appointed

| Task | Consultant | Terms of appointment | Fee details |
|------|------------|----------------------|-------------|
|      |            |                      |             |

## Form C2

### 4 Declaration

**I certify that the support requested will be applied for the purposes for which these funds have been made available.**

Signature

Name (please print)

Date

Telephone number

Email

## Form C3: Application Form for Project Fee Support (Stage Three) – Support up to Detailed Application Stage

### Stage Three

**Please complete and return two copies of this form to the appropriate Learning and Skills Council local partnership team and send one copy to the LSC Regional Property Advisor.**

College name (please print) \_\_\_\_\_

College address  
\_\_\_\_\_

Postcode \_\_\_\_\_

Contact name (please print) \_\_\_\_\_

Telephone no. \_\_\_\_\_

Email \_\_\_\_\_

Stage Three project fee support is offered to help meet the cost of taking an approved in-principle application and developing it up to the detailed stage.

This project fee support will be offered at the rate of the indicative level of grant support as agreed by the LSC Capital Committee on an in-principle basis up to a maximum fee cost of £1 million.

This is not additional funding but an advance of support to ease cash flow, whereby any fee support awarded will be subsumed in the overall grant support approved at the detailed stage.

Detailed applications should be developed to RIBA Stage D+, which should include the following actions.

- Complete development of project brief.
- Develop the detailed proposal from approved outline proposals.
- Consult statutory authorities.
- Detail proposal showing spatial arrangements, material and appearance, and provide a cost estimate.
- Have submitted an application for full planning permission.
- Be in receipt of tendered costs.

**Form C3****1 Project title** (PFI/PPP/rationalisation) (delete as appropriate)

|  |
|--|
|  |
|--|

|  |   |                                     |
|--|---|-------------------------------------|
| Estimated capital project cost                                     | £ | <input type="text"/>                |
| Area new build   |   | <input type="text"/> m <sup>2</sup> |
| Area refurbishment   |   | <input type="text"/> m <sup>2</sup> |
| Estimated start date on site                                       |   | <input type="text"/>                |
| Estimated completion date  |   | <input type="text"/>                |
| Indicative level of grant support as approved by Capital Committee |   | <input type="text"/> (%)            |
| Date of AiP approval by LSC  |   | <input type="text"/>                |
| Total fee costs from AiP to detailed stage                         | £ | <input type="text"/>                |
| LSC contribution requested   | £ | <input type="text"/>                |

**2 Description of the proposals**

|  |
|--|
|  |
|--|

**Please submit a copy of the project brief with this application form.**

### Form C3

#### 3 Consultancy firms appointed

| Task | Consultant | Terms of appointment | Fee details |
|------|------------|----------------------|-------------|
|      |            |                      |             |

#### 4 Declaration

**I certify that the support requested will be applied for the purposes for which these funds have been made available.**

|                     |
|---------------------|
| Signature           |
| Name (please print) |
| Date                |
| Telephone number    |
| Email               |

## Form C4: Fee Support Claim Form

### Feasibility Fee Support and Project Fee Support

**Please complete and return to the property team at the LSC National Office.**

I wish to make a claim in reference to the application made under:  
(Please tick the relevant box)

Form C1

Form C2

Form C3

|                              |                |
|------------------------------|----------------|
| College name (please print)  | _____          |
| Project title                | _____<br>_____ |
| LSC project reference number | _____          |

| a) Project cost details       | Approved (£)* | Actual (£) |
|-------------------------------|---------------|------------|
| Consultancy/professional fees | _____         | _____      |
| VAT                           | _____         | _____      |
| <b>Total</b>                  | _____         | _____      |
| * as per grant funding letter |               |            |

| b) Previous claim details |         |              |
|---------------------------|---------|--------------|
| Payment 1                 | £ _____ | (date) _____ |
| Payment 2                 | £ _____ | (date) _____ |
| Payment 3                 | £ _____ | (date) _____ |

| c) Payment details                       |         |
|--|---------|
| Total eligible cost*                     | £ _____ |
| Total eligible LSC support**             | £ _____ |
| Amount already paid in previous claim(s) | £ _____ |
| Amount due this claim                    | £ _____ |
| *the lower of the approval or actual     |         |
| **based on total eligible cost           |         |

### For LSC use only

Ref no.

Account code

Staged payment amount

Checked by CBO

Date

Authority 1

Date

Authority 2

Date

### Form C4

#### d) Supporting documentation sent with this claim

(Please tick as appropriate)

Previously provided

Architect's or equivalent certificate of expenditure incurred

Invoices/receipts

Other (please specify in box below)

Please provide a summary of attached invoices/receipts with clear referencing to the breakdown in section A.

#### e) Declaration

I certify that the amount claimed is to be applied for the purpose for which the funds have been made available. I also declare that the above expenditure has not formed part of any other claim.

Signature \_\_\_\_\_

Name (please print) \_\_\_\_\_

Position \_\_\_\_\_

Date \_\_\_\_\_

Telephone no. \_\_\_\_\_

Email \_\_\_\_\_

## Form D: Accessibility Improvement

### Grant Support Claim Form

Please complete and return to the property team at the LSC National Office.

|                              |                |
|------------------------------|----------------|
| College name (please print)  | _____          |
| Project title                | _____<br>_____ |
| LSC project reference number | _____          |

| a) Project cost details                  | Approved (£)* | Actual (£)   | For LSC use only      |
|--|---------------|--------------|-----------------------|
| Cost of works                            | _____         | _____        | Ref no.               |
| Professional fees                        | _____         | _____        | Account code          |
| VAT                                      | _____         | _____        | Staged payment amount |
| <b>Total</b>                             | _____         | _____        | Checked by CBO        |
| * as per grant funding letter            |               |              | Date                  |
| <b>b) Previous claim details</b>         |               |              | Authority 1           |
| Payment 1                                | £ _____       | (date) _____ | Date                  |
| Payment 2                                | £ _____       | (date) _____ | Authority 2           |
| Payment 3                                | £ _____       | (date) _____ | Date                  |
| <b>c) Payment details</b>                |               |              |                       |
| Total eligible cost*                     |               | £ _____      |                       |
| Total eligible LSC support**             |               | £ _____      |                       |
| Amount already paid in previous claim(s) |               | £ _____      |                       |
| Amount due this claim                    |               | £ _____      |                       |
| *the lower of the approval or actual     |               |              |                       |
| **based on total eligible cost           |               |              |                       |

### Form D

**d) Supporting documentation sent with this claim**

(Please tick as appropriate)

|   |                          |
|---|--------------------------|
| Previously provided   | <input type="checkbox"/> |
| Certificate of practical completion                           | <input type="checkbox"/> |
| Architect's or equivalent certificate of expenditure incurred | <input type="checkbox"/> |
| Invoices/receipts   | <input type="checkbox"/> |
| Other (please specify in box below)                           | <input type="checkbox"/> |

Please provide a summary of attached invoices/receipts with clear referencing to the breakdown in section A.

**e) Declaration**

I certify that the amount claimed is to be applied for the purpose for which the funds have been made available. I also declare that the above expenditure has not formed part of any other claim.

Signature \_\_\_\_\_

Name (please print) \_\_\_\_\_

Position \_\_\_\_\_

Date \_\_\_\_\_

Telephone no. \_\_\_\_\_

Email \_\_\_\_\_

## Form E: Post Project Review Form

### College Details

College name (please print)

Address

Postcode

Region

Project title

LSC project reference number

Project description

College contact

Position

Telephone number

Email

**Form E****Project Capital Cost/Funding/Financing**

Please state the college's preferred financing and funding proposals by summarising in the tables below.

| <b>Project costs and LSC contribution</b>   | <b>Planned</b> | <b>Actual</b> |
|---|----------------|---------------|
| a. Total project cost (including VAT, fees, external works, equipment, equipment, fixtures and fittings, but excluding free land) |                |               |
| b. Other LSC funding (for example, CoVE)  | -              | £             |
| c. Eligible project costs (a - b)   | £ -            | £ -           |
| d. Requested LSC contribution (%)*  |                |               |
| e. LSC contribution (c x d)   | £ -            | £ -           |

**\* The LSC contribution will be determined by affordability considerations**

| <b>Project funding</b>                      | <b>Total</b> | <b>Planned</b> | <b>Actual</b> |
|---|--------------|----------------|---------------|
| <b>Capital cost</b>                         | <b>£</b>     | <b>£</b>       | <b>£</b>      |
| <b>Funded by</b>                            |              |                |               |
| f. Requested LSC contribution               | -            |                |               |
| g. Other LSC funding                        | -            |                |               |
| h. College contribution                     | -            |                |               |
| j. ERDF/RDA grants                          | -            |                |               |
| k. Other public sector grants (incl. HEFCE) | -            |                |               |
| m. Other (private finance)                  | -            |                |               |
| n. Other (please specify)                   | -            |                |               |
| <b>Total funding</b>                        | -            | -              | -             |

| <b>Project financing</b>  | <b>Total</b> | <b>Planned</b> | <b>Actual</b> |
|---|--------------|----------------|---------------|
| <b>Capital cost</b>   | <b>£</b>     | <b>£</b>       | <b>£</b>      |
| <b>Financed by</b>  |              |                |               |
| o. ERDF/RDA grant and other public sector grants (please specify) | -            |                |               |
| p. Loan finance (unsecured)                                       | -            |                |               |
| q. Loan finance (secured)   | -            |                |               |
| r. Disposal proceeds  | -            |                |               |
| s. College reserves (cash)  | -            |                |               |
| t. Private equity   | -            |                |               |
| u. Leasing (please specify)                                       | -            |                |               |
| v. Other (please specify)   | -            |                |               |
| <b>Total financing</b>  | -            | -              | -             |

**Form E**

**Guided Learning Hours**

**Analysis of college's total annual audited on-site daytime guided learning hours (GLH)**

Please show in the table below what provision makes up the college's GLH.

|   | FE | HE | Adult education | 14-16 | On-site WBL | Other (please specify) | Total annual on-site daytime GLH |
|---|----|----|-----------------|-------|-------------|------------------------|----------------------------------|
| Estimated GLH post-project completion at the time of submitting the application |    |    |                 |       |             |                        | -                                |
| Most recent audited on-site ILRF05  |    |    |                 |       |             |                        | -                                |
| Current year GLH  |    |    |                 |       |             |                        | -                                |
| Anticipated GLH three years after project completion                            |    |    |                 |       |             |                        | -                                |

## Form E

## Space Utilisation: Analysis of college floor space requirements

| Effect of project on college's total gross internal floor area |   | Planned             |                       |  |                      |
|--|---|---------------------|-----------------------|--|----------------------|
| SFC  | Other   | Latest audited data | Completion of project | Anticipated three years after completion |                      |
| <input type="text"/>   | <input type="text"/>  |                     |                       |  |                      |
| a.   | Total gross internal area before project as agreed with the LSC (m <sup>2</sup> )   |                     | <input type="text"/>  | <input type="text"/>                     | <input type="text"/> |
| b.   | Reduction in gross internal area arising from project (m <sup>2</sup> )   |                     | <input type="text"/>  | <input type="text"/>                     | <input type="text"/> |
| c.   | New area created by project (m <sup>2</sup> )   |                     | <input type="text"/>  | <input type="text"/>                     | <input type="text"/> |
| d.   | Net change in area (m <sup>2</sup> ) (c - b)  |                     | -                     | -  | -                    |
| e.   | Total gross internal area (m <sup>2</sup> ) after project (a + d)   |                     | -                     | -  | -                    |
| f.   | Gross internal area minus 1,500m <sup>2</sup> if SFC or<br>Gross internal area minus 1,650m <sup>2</sup> if other type  |                     | <input type="text"/>  | <input type="text"/>                     | <input type="text"/> |
| g.   | Area to be refurbished in project (m <sup>2</sup> )   |                     | <input type="text"/>  | <input type="text"/>                     | <input type="text"/> |
| h.   | Total annual on-site daytime guided learning hours  |                     | <input type="text"/>  | <input type="text"/>                     | <input type="text"/> |
| j.   | Minimum number of workplaces (MNW) (h / 1440)   |                     | 0                     | 0  | 0                    |
| k.   | Total gross internal area per MNW (m <sup>2</sup> ) (f / j)   |                     |                       |  |                      |
| m.   | Theoretical need (m <sup>2</sup> ) college for:<br>Sixth form colleges (1,500m <sup>2</sup> + 10m <sup>2</sup> per MNW)<br>Other types of colleges (1,650m <sup>2</sup> + 11.5m <sup>2</sup> per MNW) |                     | <input type="text"/>  | <input type="text"/>                     | <input type="text"/> |
| n.   | Percentage over/under-capacity of the college [(e / m) - 1] x 100   |                     |                       |  |                      |
| o.   | Total observed workplaces before the scheme   |                     | <input type="text"/>  | <input type="text"/>                     | <input type="text"/> |
| p.   | Total workplaces after the scheme has been completed  |                     | <input type="text"/>  | <input type="text"/>                     | <input type="text"/> |
| q.   | Area of college improved for learners with learning difficulties and/or disabilities (m <sup>2</sup> )  |                     | <input type="text"/>  | <input type="text"/>                     | <input type="text"/> |
| r.   | Area now available to non-ambulant learners (m <sup>2</sup> )   |                     | <input type="text"/>  | <input type="text"/>                     | <input type="text"/> |

**Form E**

**Project Scale, Type and Duration**

**Please tick boxes**

- College relocation
- Campus rebuild and/or refurbishment
- Construction of two or more buildings
- Construction of one new building

**Project consists of new facilities for:**

|                           | <b>GIA M2</b> | <b>Description</b> |
|---------------------------|---------------|--------------------|
| General teaching          |               |                    |
| Workshop                  |               |                    |
| Learning (including LRCs) |               |                    |
| Café/refectory            |               |                    |
| Other                     |               |                    |

## Form E

## Building Cost Breakdown (New Build)

| Elemental data analysis for project                      |                        |                      |                        |        |           |  |  |          |
|--|------------------------|----------------------|------------------------|--------|-----------|--|--|----------|
| College name   |                        | <input type="text"/> |                        |        | Building  |  | <input type="text"/>                                     |          |
| Local LSC  |                        | <input type="text"/> |                        |        | Region    |  | <input type="text"/>                                     |          |
| Gross internal area, new build (m <sup>2</sup> )         |                        | <input type="text"/> |                        |        | Base date |  | <input type="text"/>                                     |          |
| Element  | Estimated              |                      | Actual                 |        | Variance  | Estimated  | Actual   | Variance |
|  | Cost of new build<br>£ | % Cost               | Cost of new build<br>£ | % Cost |           | Cost/m <sup>2</sup><br>New build<br>£ per m <sup>2</sup> | Gross floor<br>area<br>New build<br>£ per m <sup>2</sup> |          |
| <b>1 Substructure</b>                                    |                        |                      |                        |        | £0        |  |  |          |
| <b>2 Superstructure</b>                                  |                        |                      |                        |        |           |  |  |          |
| 2A Frame   |                        |                      |                        |        | £0        |  |  |          |
| 2B Upper floors  |                        |                      |                        |        | £0        |  |  |          |
| 2C Roof  |                        |                      |                        |        | £0        |  |  |          |
| 2D Stairs  |                        |                      |                        |        | £0        |  |  |          |
| 2E External walls  |                        |                      |                        |        | £0        |  |  |          |
| 2F Windows and external doors                            |                        |                      |                        |        | £0        |  |  |          |
| 2G Internal walls and partitions                         |                        |                      |                        |        | £0        |  |  |          |
| 2H Internal doors  |                        |                      |                        |        | £0        |  |  |          |
| <b>Superstructure subtotal</b>                           | -                      |                      | -                      |        | £0        |  |  |          |
| <b>3 Internal finishes</b>                               |                        |                      |                        |        |           |  |  |          |
| 3A Wall finishes   |                        |                      |                        |        | £0        |  |  |          |
| 3B Floor finishes  |                        |                      |                        |        | £0        |  |  |          |
| 3C Ceiling finishes                                      |                        |                      |                        |        | £0        |  |  |          |
| <b>Internal finishes subtotal</b>                        | -                      |                      | -                      |        | £0        |  |  |          |
| <b>4 Fittings and furnishings</b>                        |                        |                      |                        |        | £0        |  |  |          |
| <b>5 Services</b>  |                        |                      |                        |        |           |  |  |          |
| 5A Sanitary applications                                 |                        |                      |                        |        | £0        |  |  |          |
| 5B Disposal installation                                 |                        |                      |                        |        | £0        |  |  |          |
| 5C Mechanical installation                               |                        |                      |                        |        | £0        |  |  |          |
| 5D Electrical installation                               |                        |                      |                        |        | £0        |  |  |          |
| 5E Lift and conveyor installation                        |                        |                      |                        |        | £0        |  |  |          |
| 5F Builders' work in connection                          |                        |                      |                        |        | £0        |  |  |          |
| <b>Services subtotal</b>                                 | -                      |                      | -                      |        | £0        |  |  |          |
| <b>BUILDING SUBTOTAL (1 to 5)</b>                        | -                      |                      | -                      |        | £0        |  |  |          |
| <b>6 External works</b>                                  |                        |                      |                        |        |           |  |  |          |
| 6A Site works  |                        |                      |                        |        | £0        |  |  |          |
| 6B Drainage  |                        |                      |                        |        | £0        |  |  |          |
| 6C External services                                     |                        |                      |                        |        | £0        |  |  |          |
| <b>External works subtotal</b>                           | -                      |                      | -                      |        | £0        |  |  |          |
| <b>7 Preliminaries</b>                                   |                        |                      |                        |        | £0        |  |  |          |
| <b>SUBTOTAL (1 to 7)</b>                                 | -                      |                      | -                      |        | £0        |  |  |          |
| <b>8 Contingencies</b>                                   |                        |                      |                        |        | £0        |  |  |          |
| <b>9 Equipment</b>                                       |                        |                      |                        |        | £0        |  |  |          |
| <b>10 Professional fees</b>                              |                        |                      |                        |        | £0        |  |  |          |
| <b>11 VAT</b>  |                        |                      |                        |        | £0        |  |  |          |
| <b>TOTAL PROJECT COST</b>                                | -                      |                      | -                      |        | £0        |  |  |          |
| <b>Actual total net construction costs (new build)</b>   |                        |                      |                        |        | £0        |  |  |          |
| <b>Actual total gross construction costs (new build)</b> |                        |                      |                        |        | £0        |  |  |          |

For definition of elements and sub-elements, please refer to the BCIS standard form of cost analysis – principles, instructions and definitions

## Key for % boxes:

|                            |                |                         |                |
|----------------------------|----------------|-------------------------|----------------|
| Substructure               | = % of 1 to 5  | External works subtotal | = % of 1 to 7  |
| Superstructure subtotal    | = % of 1 to 5  | Preliminaries           | = % of 1 to 7  |
| Internal finishes subtotal | = % of 1 to 5  | Contingencies           | = % of 1 to 7  |
| Fittings and furnishings   | = % of 1 to 5  | Equipment               | = % of 1 to 11 |
| Services subtotal          | = % of 1 to 5  | Professional fees       | = % of 1 to 11 |
| BUILDING SUBTOTAL (1 to 5) | = % of 1 to 11 |                         |                |

## Form E

## Building Cost Breakdown (Refurbishment)

| Elemental data analysis for project   |                            |                      |                            |        |           |  |   |          |
|---|----------------------------|----------------------|----------------------------|--------|-----------|--|---|----------|
| College name  |                            | <input type="text"/> |                            |        | Building  |  | <input type="text"/>                                  |          |
| Local LSC   |                            | <input type="text"/> |                            |        | Region    |  | <input type="text"/>                                  |          |
| Gross internal area, new build (m <sup>2</sup> )  |                            | <input type="text"/> |                            |        | Base date |  | <input type="text"/>                                  |          |
| Element   | Estimated                  |                      | Actual                     |        | Variance  | Estimated  | Actual  | Variance |
|   | Cost of refurbishment<br>£ | % Cost               | Cost of refurbishment<br>£ | % Cost |           | Cost/m <sup>2</sup><br>New build<br>£ per m <sup>2</sup> | Gross floor area<br>New build<br>£ per m <sup>2</sup> |          |
| <b>1 Substructure</b>   |                            |                      |                            |        | £0        |  |   |          |
| <b>2 Superstructure</b>   |                            |                      |                            |        |           |  |   |          |
| 2A Frame  |                            |                      |                            |        | £0        |  |   |          |
| 2B Upper floors   |                            |                      |                            |        | £0        |  |   |          |
| 2C Roof   |                            |                      |                            |        | £0        |  |   |          |
| 2D Stairs   |                            |                      |                            |        | £0        |  |   |          |
| 2E External walls   |                            |                      |                            |        | £0        |  |   |          |
| 2F Windows and external doors   |                            |                      |                            |        | £0        |  |   |          |
| 2G Internal walls and partitions  |                            |                      |                            |        | £0        |  |   |          |
| 2H Internal doors   |                            |                      |                            |        | £0        |  |   |          |
| <b>Superstructure subtotal</b>  | -                          |                      | -                          |        | £0        |  |   |          |
| <b>3 Internal finishes</b>  |                            |                      |                            |        |           |  |   |          |
| 3A Wall finishes  |                            |                      |                            |        | £0        |  |   |          |
| 3B Floor finishes   |                            |                      |                            |        | £0        |  |   |          |
| 3C Ceiling finishes   |                            |                      |                            |        | £0        |  |   |          |
| <b>Internal finishes subtotal</b>   | -                          |                      | -                          |        | £0        |  |   |          |
| <b>4 Fittings and furnishings</b>   |                            |                      |                            |        | £0        |  |   |          |
| <b>5 Services</b>   |                            |                      |                            |        |           |  |   |          |
| 5A Sanitary applications  |                            |                      |                            |        | £0        |  |   |          |
| 5B Disposal installation  |                            |                      |                            |        | £0        |  |   |          |
| 5C Mechanical installation  |                            |                      |                            |        | £0        |  |   |          |
| 5D Electrical installation  |                            |                      |                            |        | £0        |  |   |          |
| 5E Lift and conveyor installation   |                            |                      |                            |        | £0        |  |   |          |
| 5F Builders' work in connection   |                            |                      |                            |        | £0        |  |   |          |
| <b>Services subtotal</b>  | -                          |                      | -                          |        | £0        |  |   |          |
| <b>BUILDING SUBTOTAL (1 TO 5)</b>   | -                          |                      | -                          |        | £0        |  |   |          |
| <b>6 External works</b>   |                            |                      |                            |        |           |  |   |          |
| 6A Site works   |                            |                      |                            |        | £0        |  |   |          |
| 6B Drainage   |                            |                      |                            |        | £0        |  |   |          |
| 6C External services  |                            |                      |                            |        | £0        |  |   |          |
| <b>External works subtotal</b>  | -                          |                      | -                          |        | £0        |  |   |          |
| <b>7 Preliminaries</b>  |                            |                      |                            |        | £0        |  |   |          |
| <b>SUBTOTAL (1 to 7)</b>  | -                          |                      | -                          |        | £0        |  |   |          |
| <b>8 Contingencies</b>  |                            |                      |                            |        | £0        |  |   |          |
| <b>9 Equipment</b>  |                            |                      |                            |        | £0        |  |   |          |
| <b>10 Professional fees</b>   |                            |                      |                            |        | £0        |  |   |          |
| <b>11 VAT</b>   |                            |                      |                            |        | £0        |  |   |          |
| <b>TOTAL PROJECT COST</b>   | -                          |                      | -                          |        | £0        |  |   |          |
| <b>Actual total net construction costs (refurbishment)</b>  |                            |                      |                            |        | £0        |  |   |          |
| <b>Actual total gross construction costs (refurbishment)</b>  |                            |                      |                            |        | £0        |  |   |          |
| For definition of elements and sub-elements, please refer to the BCIS standard form of cost analysis – principles, instructions and definitions |                            |                      |                            |        |           |  |   |          |

## Key for % boxes:

|                            |                |                         |                |
|----------------------------|----------------|-------------------------|----------------|
| Substructure               | = % of 1 to 5  | External works subtotal | = % of 1 to 7  |
| Superstructure subtotal    | = % of 1 to 5  | Preliminaries           | = % of 1 to 7  |
| Internal finishes subtotal | = % of 1 to 5  | Contingencies           | = % of 1 to 7  |
| Fittings and furnishings   | = % of 1 to 5  | Equipment               | = % of 1 to 11 |
| Services subtotal          | = % of 1 to 5  | Professional fees       | = % of 1 to 11 |
| BUILDING SUBTOTAL (1 to 5) | = % of 1 to 11 |                         |                |

**Form E**

**Project Programme – Pre-contract and Construction**

| <b>Programme</b>                | <b>Planned</b> | <b>Actual</b> |
|---------------------------------|----------------|---------------|
| Date of practical completion    |                |               |
| Date of project approval by LSC |                |               |
| Date contract was let           |                |               |
| Date started on site            |                |               |
| Client occupation               |                |               |

**Form E****Project Consultants**

Please list in the table below the external consultants the applicant used to manage and administer the project.

| <b>Task/title</b>            | <b>Consultant</b> |
|------------------------------|-------------------|
| <b>Project manager</b>       |                   |
| <b>Consultant architects</b> |                   |
| <b>Quantity surveyor</b>     |                   |
| <b>Planning supervisor</b>   |                   |
| <b>Structural engineer</b>   |                   |
| <b>Electrical engineer</b>   |                   |
| <b>Mechanical engineer</b>   |                   |
| <b>Other services</b>        |                   |

## Form E

### Declaration

**I certify that the information provided in this form is complete and correct.**

|                       |
|-----------------------|
| Signature (Principal) |
| Name (please print)   |
| Date                  |
| Telephone number      |
| Email                 |

# Guidance Note A: Guidance Notes on the Capital Project Application Procedure

**For further education colleges, external institutions, specialist colleges, higher education institutions and skills academies applying for Further Education capital project grant support**

## Introduction

1 This guidance note sets out the capital project information needed for the assessment of all applications for capital project grant support from the Learning and Skills Council (LSC). It also includes the guidelines that need to be followed by all involved in the preparation and completion of a capital project application and should be read in conjunction with the application form template (Form A), which is contained within Annex E. The capital forms are available in two formats: a pdf format in the form of sample pages and an Excel spreadsheet on the LSC website. The Excel version of the form is the version that needs to be completed, printed out and returned to the LSC.

2 The capital project grant support application form (Form A) is an updated version of the previous application form and contains a series of key tables requesting information on the quantifiable elements of a capital application and guidance as to the other supporting information that will be required. As well as a completed application form, all applications are expected to include a written submission that answers the various questions set out within this guidance note and the various additional documents and drawings referred to in these guidelines. A checklist of the required documents that need to accompany an application is provided at the end of this guidance note.

3 The remainder of this guidance note confirms the questions that need to be addressed in the written

submission that should accompany the application form, and advises on how they should be presented. Please note that this guidance is to be used both for applications for detailed approval and for applications for approval in-principle (AiP). The only difference between the two is the section on design and planning where the information required is separated out into two distinct sections.

## Summary of Sections

### Section A Overview

Summary of the project and project rationale.

### Section B Consistency with strategic planning documents

The education rationale for the project proposal and the extent to which the proposal is in line with existing plans and strategies.

### Section C Funding and financing and project affordability

The funding and financing of the project including the likely level of LSC funding for the proposal and funding from other possible sources.

### Section D Investment appraisals, alternative options and project viability

The financial forecast and the impact the project will have on the college's finances. A summary of the alternative options and completion of investment appraisals on all options.

**Section E Private finance initiative**

Consideration of private finance initiative (PFI) and public private partnerships (PPP).

**Section F Space utilisation**

The college's existing space utilisation and the impact the project will have on the college's use of space.

**Section G Project administration and control**

The proposed management of the project and the professional consultants to be used.

**Section H Design, planning requirements and sustainability**

The design of the proposed building, planning, quality and sustainability issues.

**Section I Applications for Approval in-principle**

The design of the proposed building, planning, quality and sustainability issues for applications for approval in principle.

**Section J Building costs and procurement**

An elemental breakdown of the cost of the project and details on the form of contract.

**Section K Project cost and space summary**

The calculation of key space and cost data indicating whether or not the LSC's criteria are met.

**Section L Declaration**

Confirmation by the applicant that the information is complete and correct.

**Issues and questions to be addressed within the written submission that accompanies a completed application form**

**Section A: Overview**

A1 Please provide an overview of the project including a project description and a summary of the education and property rationale for undertaking the project.

**Section B: Consistency with strategic planning documents**

**B1.0 LSC strategic review**

B1.1 To what extent is the project proposal consistent with the local LSC strategic area review and other published reviews of local provision?

*The LSC will check the extent to which the project proposal meets the requirements of the most recent strategic review and other relevant reviews, whether or not the project is a direct result of the review process and whether it is compatible with the review outcomes.*

**B2.0 LSC regional capital strategy**

B2.1 Is the project proposal identified within the LSC regional capital strategy (RCS)?

B2.2 To what extent does the project proposal address the objectives and priorities of the RCS?

*The LSC RCS prioritises the main areas of capital development within each region, with regard to geographical location, type of development, policy priorities and curriculum. The LSC will assess the extent to which the project proposal meets these priorities and whether or not it is consistent with the strategy. Further information on the RCS can be obtained from the relevant local partnership director.*

**B3.0 LSC local capital plan**

B3.1 Is the project identified within the LSC local capital plan?

B3.2 If the project is not identified within the LSC local capital plan or the RCS, please confirm the educational rationale for proposing the project?

*In assessing the application the LSC takes the following into account:*

- *whether the proposal is consistent with the educational requirements of the provider's proposed catchment area;*
- *whether the proposal represents a potential threat to further education (FE) in the area, for example by the withdrawal of a significant proportion of provision, specialist provision or reduced access; and*
- *whether the proposal is responding to needs currently offered by alternative providers and whether all local parties have been consulted, including local learning partnerships.*

*For proposals for the major reordering of provision by the sole or major supplier of FE in an area, the LSC will consider whether the development plan and the proposal include sufficient information to allow the LSC to assess that it is meeting its statutory duty to secure provision and whether this has been considered in the light of a needs analysis.*

*Where the proposal is to respond to needs identified by other providers making similar provision or where proposals have a potential significant impact on other providers, the LSC will check whether the providers involved are aware of the proposals and whether collaborative ventures have been considered.*

*These issues are likely to have already been addressed in the area review and RCS. These matters will be considered in more detail where the area review or RCS have not been completed or have been superseded by changes in circumstances.*

#### **B4.0 College property strategy**

B4.1 Has the college or institution produced a property strategy that has been shared with and agreed by the LSC?

B4.2 Is the project outlined within the property strategy?

B4.3 Are teaching spaces to be withdrawn from the proposed area?

*Further guidance on property strategies can be found in Supplement A to Circular 02/20.*

#### **B5.0 College development plan**

B5.1 Has the development plan been agreed by the local LSC?

B5.2 Is the project proposal consistent with the college's development plan?

*The LSC carries out a number of checks on consistency with the college development plan. The LSC will check:*

- *that there are clear and reasonable links between the proposal, the needs analysis and objectives in the development plan and the LSC's priorities at national and local level taking into account evidence from the development plan analysis and visits to the college;*
- *that the college has considered the outcome of area inspections, area reviews and other relevant strategic reviews, as well as any strategic needs analysis produced by the local/area LSC;*
- *that there is consistency between the most recent development planning number forecasts and the learner number or teaching space information provided in the proposal;*
- *the credibility of the learner number forecasts in the proposal, considered in the light of the previous performance of the college, in achieving the predicted pattern of learner numbers in the development plan and funding agreements;*
- *the property strategy to ensure that the proposal relates to and is consistent with both documents; and*
- *that the adequacy of the information provided in support of the proposal by the college will be reviewed.*

#### **B6.0 Other strategic and educational issues**

B6.1 Please explain the strategic aims of the project proposal in quantified form with particular reference (if relevant) to how the project impacts on:

- 14-16 learners;
- 16-19 learners;
- collaboration with schools and other local providers;
- specialist provision for learners with learning difficulties and/or disabilities;

- Skills for Life;
- the extent that the proposal may establish or further develop or contribute to a national Skills Academy or Centre of Vocational Excellence (CoVE), or the delivery of the Specialist Vocational Diplomas;
- adult education; and
- higher education (HE) provision.

*The LSC will make sure that where the proposal impacts on any of the above areas, the proposal meets the relevant criteria and guidelines as set out within this handbook as well as LSC and government policy. For example, the eligibility criteria for HE provision and 14-16 provision are different from the eligibility criteria for 16-19 and adult provision.*

B6.2 Please set out in the project proposal a list of the curriculum areas affected by the project.

B6.3 Please set out in your project proposal confirmation and evidence that the proposal will comply with the requirements of relevant race relations and equal opportunities legislation.

### **Section C: Funding, financing and project affordability**

C1 Please complete the funding and financing table in the application form.

*Providers should include all relevant financial documentation relating to the proposed funding and financing.*

C2 Please provide confirmation of any other proposed funding for the project, for example funding from a third party.

C3 Please provide details of all proposed loans for the project: type of loan, repayment period, interest rate(s), annual cost, status (secured/unsecured). Please attach minutes of governing body consideration and approval of the borrowing arrangements.

C4 Please provide details of any proposed security and conditions required by the lender. Please attach any letter(s) of intent from proposed lender(s).

C5 Please provide details of any other proposed PFI or PPP procurement, management or financing arrangements (lease/rental payments/lease term/other

main terms of proposed arrangements). Please attach any letter of intent from lenders or potential private investors as appropriate.

C6 Please confirm the maximum sum approved by the governing body that the college could commit to the project (minute to be attached).

C7 If some or all of the proposed financing is not available, would the college withdraw its application or propose alternative financing strategies? If yes, please state any alternative financing strategies in the project proposal.

### **Affordability**

C8 Please complete the capital project and affordability schedules in the ten-year financial plan model available on the LSC website.

*The level of capital grant support is determined by the affordability analysis that is undertaken with each capital project application. It is essential that prior to the submission of an application an affordability analysis has taken place in order to ascertain the likely level of grant support. Colleges should discuss this with the appropriate LSC regional provider financial management (PFM) team if they require assistance in completing this section.*

*Detailed guidance on financial affordability is set out at Annex B of the handbook.*

### **Section D: Investment appraisals, alternative options and project viability**

D1 Please list and describe the alternative options that have been considered and appraised prior to selecting the preferred option. There must be at least one alternative option in addition to the preferred option, and a base case option. Please summarise the relevant costs and benefits of each option, including 'free' land, and state why the proposed preferred option is the most appropriate.

D2 Please complete an investment appraisal for the preferred option, alternative option(s) and base case option using the investment appraisal template, which is available from the LSC website. Please follow the guidelines that accompany the investment appraisal template.

### **Consideration of options**

*It is important to consider a wide range of options even though many may be rejected at an early stage on cost,*

technical or educational grounds. The college should consider at least two options in addition to the base case option and PFI alternatives may also be appropriate. Colleges should be aware that their proposals will be examined closely in this area. Particular consideration will be given to the following:

- that a full range of options has been properly considered and included in the project application in the context of the college's strategic plan and accommodation strategy;
- potential feasible PFI options (see Section E below);
- a base case option;
- a feasible alternative option should the preferred option fail;
- financial appraisals for the selected options; and
- the net present values (NPVs) of the preferred, next best and base case options.

Any investment appraisal must consider a number of realistic options, including a base case. This is the benchmark against which other options will be judged. A base case normally involves the college continuing with its current building stock and maintaining it as if it had no proposals for refurbishment, remodelling or new build. A base case could include efficiency gains from measures such as improved timetabling and minimal building works to accommodate predicted learner numbers. These inclusions would only apply if the college is already committed to such proposals as part of its strategic planning process. The base case is the 'do the minimum' option rather than a 'do nothing' option.

The LSC will consider the extent to which an application has satisfied the economic investment appraisal criteria set out in Annex A of the handbook.

Providers must address the following points in setting out the costs and benefits of each option. The following elements must be reviewed:

### Net present value (NPV)

All options have to be compared on an NPV basis, which serves as a cost of capital and a measure of the present value of income and expenditure flows over a period. The discount rate of 3.5 per cent in real terms (taking into account the effect of inflation) is set by HM Treasury.

The NPV calculation will indicate whether the scheme is economically viable at the discount rate used. The investment appraisal for at least the preferred option should show a positive NPV.

### Cash flow

The cash flow should confirm that income streams are sufficient to match or exceed expenditure and financing costs over the appraisal period.

### Surplus on income and expenditure account

The effect on the income and expenditure account will not be the same as either the cash flow or NPV calculation. It is important that providers are aware of the effect the scheme has on its income and expenditure account, that is, the surplus or deficit created during the period of the financial plan.

### Borrowing or lease costs as a percentage of income

It is possible to have principal and/or interest 'holidays' or phase repayments so that they are greater in later years. It is also possible to have rents index linked or rental holidays. For the purposes of complying with the Financial Memorandum, the model ignores such funding arrangements and calculates the college's borrowing costs on the basis of a constant loan repayment taking into account both principal and interest.

Guidance on borrowing considerations is included at Annexes A and B of the handbook.

### Assumptions

Estimating costs and benefits always requires assumptions about the future. College project proposals, in the information supplied in the investment appraisal and the financial plan, should address a number of scenarios:

- Growth in learner numbers. Is the growth indicated in the appraisal achievable? Is it likely to be funded?
- Asset sales. Are the value and timing of any sales reasonable?
- Increased pay costs. Is the college including all pay costs relating to the proposed growth?
- Running costs, repair and maintenance, energy. Are the assumptions reasonable?
- How does a facilities management approach compare with the college's existing provision?

- Are there additional quantifiable benefits in the rationalisation of existing buildings that could be applied to the scheme?
- What if income from the sale of assets is not achieved?

*The purpose of this analysis is to test the robustness of the scheme to variations in some of the critical assumptions in the appraisal. In order to quantify how sensitive the scheme is to variations in these key areas, the variances should be adjusted to the point at which the project has a nil NPV. This will indicate how financially sensitive the project is and the investment appraisal model includes a facility to do this.*

D3 Please attach the provider's updated financial plan, revised to take account of the financial impact of the project and the LSC's proposed level of capital grant support. The financial plan should cover a five to ten-year period, as appropriate, extending to at least the third year following substantive completion of the project.

D4 Please provide a full commentary, including detailing assumptions made in the investment appraisal for the preferred option, and any revised assumptions from the previous financial plan. Please explain how the financial plan demonstrates the provider's financial viability taking into account:

- annual operating surplus/deficit,
- balance on income and expenditure account cash flow,
- key financial indicators, such as current ratio, and
- other relevant factors.

*The provider's financial plan will be assessed to determine how the scheme will change the financial position of the college and the level of LSC capital grant support. The financial plan will also be assessed to ensure consistency with the assumptions made in the investment appraisal for the preferred option.*

*Guidance on financial affordability is included at Annex B of the handbook.*

D5 Please include in the commentary a statement on the provider's consideration of the project's VAT and other tax implications.

*The provider should consider whether and to what extent it can reduce or mitigate its VAT liability in respect of the project. For example, are any costs VAT exempt? Information on the applicability of VAT and other taxes is available on the HM Revenue and Customs website ([www.hmrc.gov.uk](http://www.hmrc.gov.uk)).*

D6 Please include in the project proposal a comprehensive risk management plan and sensitivity analysis for the project.

The risk management plan will be assessed to determine to what extent the provider has identified and addressed the main risks to successful implementation of the project, including contingency planning.

## Section E: Private finance initiative

E1 Please confirm that the college has examined whether better value for money might be obtained by private sector investment, other than borrowing and participation in the provision and subsequent management of the assets to be created and in the delivery of relevant services.

E2 Please summarise the PFI and PPP options that have been considered and explain why particular options have been accepted or rejected.

*The Government requires that all capital project applications for public sector funding or financial support should be assessed to ensure that the opportunities for the involvement of the private sector in the financing of the proposal have been considered. In assessing project applications, therefore, confirmation must be sought that colleges have exercised due diligence in this regard.*

*It is recognised that full-scale private finance projects are usually only applicable to projects above £20 million in value. Therefore, the LSC does not expect colleges to have undertaken market testing or extensive research into PFI/PPP options for small projects. However, it is still expected that there has been some consideration by the college of possible alternative PFI and PPP options. For further guidance on this please refer to the Treasury guidance.*

## Section F: Space utilisation

F1 Please complete the table showing the analysis of the college's guided learning hours (GLH) in the application form.

This provides a breakdown of the college's GLH across age range, education type and time.

F2 Please complete the schedule of accommodation form in the application form.

F3 Please complete the space utilisation, analysis of college floorspace requirements table in the application form.

*This section is intended to demonstrate that colleges have clearly identified both the extent and utilisation of the floorspace they currently occupy and that they meet the LSC's space utilisation criteria as set out in Annex A and the more detailed guidance in Circular 02/20.*

F4 Please include with the application a copy of the college's latest room utilisation study.

As part of the overall assessment of the college's floorspace requirements, colleges are expected to carry out an observation-based room utilisation study on an annual basis. Guidance on carrying out a room utilisation study is contained within Annex I of Circular 02/20.

## Section G: Project administration and control

G1 Please complete the table in the application form listing the proposed consultants who are to be appointed to help implement the project.

*Your application should confirm the internal arrangements for managing and administering the project that the college intends to implement, and the name of the senior member of college management with prime responsibility for the project (usually a member of the senior management team reporting directly to the principal).*

G2 The project application should confirm arrangements for:

- governing body oversight
- dedicated project administration
- availability of adequate professional expertise, including legal advice as appropriate
- appropriate financial control

- appropriate supervision of works including compliance with the Construction (Design and Management) Regulations 1994 and the Control of Asbestos at Work Regulations 2002 and other relevant legal requirements
- how continuity of provision for learners will be maintained.

*Colleges are often relatively inexperienced in the administration of capital projects and efficient project administration and control arrangements are essential if colleges are to avoid cost over-runs and operational difficulties caused by the late completion of projects. It is vital that colleges identify and adopt a clear project administration and management structure at the outset; this will be an essential precondition to any financial support from the Council.*

## Section H: Design, planning requirements and sustainability

### Applications for detailed approval

The following questions need to be answered if the application is for detailed approval. All detailed applications should be developed to a stage broadly equivalent to Royal Institute of British Architects (RIBA) design stage D+.

For an explanation as to what is meant by RIBA stage D+ please refer to Section 7 of the Capital Handbook.

H1 Is planning consent required and, if so, has detailed planning approval for all relevant stages of the project been obtained?

H2 Please provide a summary of the current position relating to planning consent. If planning permission has not been obtained and is required please confirm when it is due to be obtained. If appropriate, please provide a copy of the planning consent or letter from the planning authority.

H3 Please confirm whether the college has entered into a Section 106 or other agreement as a condition of planning consent.

*This section is intended to ensure that the college has properly researched the potential planning requirements for any particular project application and has either obtained appropriate planning consent or can reasonably assume that such consent will be forthcoming. In normal circumstances, at least outline planning consent is required before a project can be considered.*

*It is generally expected that colleges will have already obtained planning consent for the project prior to the submission of a detailed application. However, the LSC may be willing to accept applications if a decision on planning consent is imminent.*

*Local planning authorities often impose obligations that must be fulfilled as a condition of the consent. The proposal must ensure that such conditions have been properly identified, anticipated and, if appropriate, the costs quantified.*

H4 Please provide copies of the plans of the proposed building work and copies of elevational drawings.

H5 Where the project involves new build, please confirm the type of construction planned.

*Please note that buildings of a temporary nature will not normally be eligible for grant support.*

H6 Please confirm the net internal/gross internal floor area ratio (m<sup>2</sup>) for new build projects.

H7 Please describe how the project takes account of the impact of new technologies on the delivery of the curriculum.

H8 Please confirm how the project addresses sustainability issues by providing a sustainability statement.

*A sustainability statement should list the elements of the proposed building that address the sustainability agenda. Please note that, wherever practicable, the LSC expects that the projects in which it invests should achieve an 'Excellent' or 'Very good' BREEAM (Building Research Establishment Environmental Assessment Method) rating.*

## **Section I: Applications for approval in-principle**

The following questions need to be answered if the application is for in-principle approval. All applications for in-principle approval should be at RIBA design stage C. For an explanation as to what is meant by RIBA stage C, please refer to Section 7 of the handbook.

I1 Please provide a summary of the current position relating to planning consent.

*If a college is applying for an in-principle approval, it is expected that the college will have either obtained*

*outline planning consent or outline planning consent is imminent.*

I2 Please provide copies of the plans of the proposed building work and copies of other relevant drawings.

I3 Where the project involves new build, please confirm the type of construction planned.

*Please note that buildings of a temporary nature will not normally be eligible for grant support.*

I4 Please confirm the net internal/gross internal floor area ratio (m<sup>2</sup>) for new build projects.

I5 Please describe how the project takes account of the impact of new technologies on the delivery of the curriculum.

I6 Please confirm how the project addresses sustainability issues by providing a sustainability statement.

*A sustainability statement should list the elements of the proposed building that address the sustainability agenda.*

## **Section J: Building costs and procurement**

J1 Please complete the elemental cost breakdown form in the application form. This shows the estimate of the cost of each of the elements of the works. If there is more than one building within the proposal then a separate form needs to be completed for each building.

*Project applications will be assessed to ensure that they have sought to maximise value for money by competitively tendering projects and by taking appropriate advice on the form of contract and these issues in general. Further advice on this should be sought from the college's consultants or the regional property advisor (RPA). Projects will be assessed to make sure that the overall estimate of project cost (including fees) and the elemental cost breakdown are commensurate with schemes of a similar nature elsewhere in the sector and are likely to offer value for money both in the initial procurement and in the subsequent management and operation of the resulting asset.*

J2 Please state the proposed or actual form of project procurement/building contract (for example management contracting, design and build, partnering and so on).

J3 Please explain the reasons for the choice.

J4 Please confirm the source of professional advice that led to the choice.

*Details of this should be included when answering question G1.*

*In assessing project applications, the LSC will check that the proposed or actual method of procurement and form of contract documentation is appropriate to the building project and procurement programme proposed. It will also check that the college has taken appropriate professional advice in establishing the method of procurement and the appropriate form of contract documentation.*

*In the case of PFI/PPP proposals the LSC will assess whether or not the degree of risk transfer is commensurate with the scale and cost of the project.*

J5 Please provide a copy of the programme of works for the building contract.

*Colleges are reminded of the need to comply with the procurement directive issued by the European Union that requires the advertisement of qualifying building projects and consultancy appointments in the Official Journal of the European Union (OJEU) before tenders are invited and contracts let or consultants appointed. As at January 2006, the tender thresholds for works above which advertisement in the OJEU is mandatory were 5,278,227 Euros (£3,611,319) at the exchange rates set in January 2006 and 211,000 Euros (£144,371) for consultancy appointments. Colleges are advised to take appropriate legal advice as to the application of these directives to any PFI or PPP arrangements they might wish to pursue.*

J6 Please complete the table in the application form relating to the project programme.

*The contract programme should give information on the pre and post-contract periods, including the anticipated start on site and completion dates.*

J7 Please provide in your project proposal a list of equipment included in the project and the source of the cost.

*shows that the project does not pass, then it is advisable that the college contacts the appropriate RPA to discuss the application prior to submitting it to the Council.*

## **Section L: Declaration**

The application form must be signed and dated by the college principal.

## **Section K: Project cost and space summary**

*When the application form is filled in from the website, the project cost and space summary will show whether or not the project proposal meets the LSC cost and space utilisation criteria. This is an initial indicator and does not mean that the project will necessarily be approved if the indicator shows that the project passes. If the indicator*

### Checklist – Capital project applications

Below is a checklist of the items that need to be included in any application for capital project grant support.

---

Completed application form

---

A written submission responding to the questions listed in Guidance Note A

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Completed investment appraisals for the preferred option, base case and at least one alternative option

---

Financial plan, including affordability assessment

---

Financial plan commentary

---

Risk management plan and sensitivity analysis

---

Programme of works

---

Room utilisation study

---

Appropriate architectural drawings

---

Sustainability statement

---

A copy of the minute of the governors' meeting at which the project was approved

---

A copy of the relevant planning notice (if applicable)

---

A copy of the letter of intent from potential lenders (if applicable)

---

Please note that three copies of all these forms need to be sent to the LSC to the following destinations:

One copy to the appropriate LSC partnership director

One copy to the appropriate LSC RPA

One copy to the appropriate LSC regional PFM director.

# Guidance Note B: Guidance on the FE Capital Project (Grant) Support Process

**For further education colleges, external institutions, specialist colleges, higher education institutions and skills academies claiming Further Education capital project grant support**

## Introduction

1 This guidance note confirms arrangements whereby colleges can claim FE capital project support.

## FE capital project (grant) support

2 Capital project (grant) support is calculated and paid as a specific percentage of the total eligible project cost.

3 The minimum level of grant support for a project that meets all of the LSC's criteria is 10 per cent, except where the college has received grant funds from other sources or receipts from related asset sales, that make a contribution unnecessary. Grant support of 10 per cent of eligible project costs will usually be paid in one year, once the college concerned has provided appropriate evidence of eligible expenditure. Equal allocations over two years will be made to colleges receiving between 10.1 per cent and 20 per cent grant support, while those receiving grant support of more than 20 per cent will be paid 10 per cent in year 1 and two equal allocations, to cover the balance, over years 2 and 3.

4 A college may have no entitlement to a contribution where:

- related property disposals and contributions from third parties are likely to produce funds equalling 100 per cent of project costs; or

- a review of the college's financial position by the relevant local LSC confirms that the project is affordable with a lower level of grant contribution or indeed no contribution at all subject to the provisions of paragraph 3 above.

5 If property disposals plus contributions from third parties exceed 90 per cent of the project cost but are less than 100 per cent, the LSC may contribute the residual funding.

## Procedures for payment

6 A college will receive grant payments based on a percentage of the eligible expenditure shown. To work out the value of expenditure required to receive the full year-on-year funding, the following calculation needs to take place:

$$\text{Year 1 expenditure required} = \frac{\text{Total grant for year 1}}{\frac{\text{Total grant payable}}{\text{total project costs}}}$$

$$\text{Year 2 Total grant for year 1 and 2} = \frac{\text{total grant payable} \times \text{total project costs}}{\text{total project costs}}$$

$$\text{Year 3 expenditure required} = \text{Total project costs}$$

7 The LSC's payment system operates on the basis that if claims are received by the property services team by the first day of one month, the payments will be made on or around the 20th day of the following month.

For example, if a complete claim without any queries is received by the property services team on 1 August, this would be paid on or around

20 September. However if the claim was received by the property services team on 10 August, this would be paid on or around 20 October.

8 Examples of typical claims profiles appear below:

#### Example Project 1

|                             |               |
|-----------------------------|---------------|
| Total cost of the project = | £10 million   |
| Total grant payable =       | £3.5 million  |
| Total grant for year 1 =    | £1 million    |
| Total grant for year 2 =    | £1.25 million |
| Total grant for year 3 =    | £1.25 million |

9 The college incurs expenditure against the project, for example to a value of £500,000 and submits a first claim on this basis. Based on all the expenditure being eligible, the college would receive a part payment of their first year's grant totalling £175,000. The college can then submit further claims to draw down the total of the first year's grant.

10 Please note that, in terms of capital grant support, year 1 is determined by the year in which the first claim is received in time for processing and payment by 31 March. This is irrespective of the indicative profile outlined in the conditions of the grant letter, except where the date of the first claim predates the first year on the indicative profile.

11 Final claims should be accompanied by a certificate of practical completion and a final statement of costs.

#### Example project 2

|                                       |               |
|---------------------------------------|---------------|
| Total eligible costs of the project = | £600,000      |
| Total approved LSC grant =            | £60,000 (10%) |
| Total grant for year 1 =              | £60,000       |

12 The college incurs the total cost for the project and submits a claim to the LSC detailing eligible expenditure, the certificate of practical completion and final statement of costs. The college is then paid the total £60,000 grant in one payment. Interim claims payable on a pro-rata basis will also be considered at the LSC's discretion.

13 When projects fall behind their original expenditure profile during the first year, the remaining allocation will be equally divided between years 2 and 3 at the LSC's discretion.

#### Claim form

14 In order to receive payment of the grant support, colleges should complete the FE capital grant support form (Form B) contained within Annex E. The capital project support claim form remains largely unchanged from previous versions of the form. This claim form should also be used by specialist colleges and schools and local authorities.

#### *Property leasing and PPP/PFI projects*

15 Where colleges wish to enter into lease arrangements for a property, in preference to outright purchase, the college will be able to claim support for eligible project costs, including an element for the deemed capital equivalent of the lease payments. Under the terms of the Financial Memorandum the LSC has with each college, the deemed capital sum is determined as ten times the amount of the annual rent, except where the property is subject to a lease for a fixed term of which fewer than ten years remain. In determining eligible project costs, colleges should add eligible costs incurred pre-contract such as professional fees relevant to the project and, subject to prior consultation with the LSC RPA, an allowance for equipment costs if an appropriate proportion is not included in the PPP/PFI or lease agreement.

16 Where colleges wish to enter into a PPP/PFI scheme, the college will be able to claim support for the capital costs of the scheme. Rental payments for PPP/PFI schemes usually include elements for servicing the capital costs incurred and for the revenue costs of operating the property. Colleges will need to identify separately the capital element of rental payments. The deemed capital sum on which LSC support will be based is determined by multiplying the capital element of the rental payment by ten or by the remaining term of the agreement, whichever is the lesser, together with other eligible project costs as discussed in paragraph 15 above. Alternatively, for PFI projects, the LSC would consider an application based on the estimated total project costs if procured on a conventional procurement basis where this might be to the college's advantage.

17 For projects where rentals may be stepped or otherwise vary from year to year, an annual equivalent rental should be calculated for the ten-year period using an appropriate discount rate. Colleges should contact the RPA, in the first instance, if they require any further advice or clarification on this point.

# Guidance Note C: Guidance on How to Apply for Fee Support towards the Costs of Feasibility Studies and Project-Related Fees

For further education colleges, external institutions, specialist colleges, higher education institutions and skills academies

- **Stage 3 – project fee support** – towards the cost of fees for working up a detailed capital application.

## Introduction

1 This guidance note confirms arrangements whereby colleges may apply for financial support towards the costs of employing consultants to assist with the preparation of feasibility studies and capital project applications.

## Background

2 Fee support is offered on a three-stage basis as set out below to enable colleges to bring forward and realise large capital schemes. Colleges may apply to the LSC for financial support towards the fee costs likely to be incurred in employing consultants to enable proposed projects to go from the feasibility stage through to implementing the construction works and delivery of the proposed project. The three stages are:

- **Stage 1 – feasibility fee support** – towards the cost of fees for feasibility studies
- **Stage 2 – project fee support** – towards the cost of fees for working up an AiP capital application

## Stage 1-Feasibility fee support

3 Stage 1 project fee support is available to colleges undertaking feasibility studies for large rationalisation (£5 million plus estimated capital costs), and PFI projects for premises and other services. Colleges may apply to the LSC for financial support towards the fee costs likely to be incurred in employing consultants to assist with the studies. Such feasibility studies would be used to inform colleges' in-principle applications for capital project support from the LSC in accordance with the arrangements for 'signing-off' PFI, PPP and other capital projects. Colleges benefiting from these arrangements will then normally be expected to seek an in-principle determination of their project proposals from the LSC.

4 To be eligible for fee support under these arrangements, colleges should employ consultants to undertake studies to determine the financial and educational feasibility of undertaking a project proposal. In particular the study could investigate the educational justification for the proposal and the procurement and financing routes most likely to offer the best value for money. Consultants employed to undertake such studies

could also assist the college to prepare an in-principle application to the LSC based on the study findings.

5 Fee support will be payable against proof of eligible expenditure on a matched expenditure (£ for £) basis to a maximum contribution from the LSC of £100,000 for fees up to a maximum cost of £200,000. The LSC will deduct this from any capital project support payable should the project subsequently be implemented.

6 To qualify for fee support, the project proposal would have to have been previously identified in the college's property strategy. The prior agreement of the LSC is required for the college's brief and specification for the studies, the suitability of the consultants or individuals the college may intend to use and the fee proposal.

### Stage 2-Project fee support

7 Stage 2 project fee support is available to provide financial support for colleges in developing an AiP capital project application. Colleges can apply to the LSC for this financial support where they are proposing large projects in excess of £10 million for estate rationalisation and redevelopment schemes.

8 To qualify for fee support at this stage, in-principle applications should be developed to a stage equivalent to RIBA stage C, which identifies the following actions:

- commence development of the strategic brief into the project brief
- prepare an outline proposal that should include floor plans and proposed elevations
- provide an approximation of construction costs
- obtain a clear indication of any town planning issues including onerous Section 106 agreements.

9 Stage 2 fee support will be payable against proof of eligible expenditure on a matched expenditure (£ for £) basis to a maximum contribution from the LSC of £250,000. This fee support is not additional funding and is considered as an advance of support to help ease cash flow. As with the feasibility fee support, the LSC will deduct this from any agreed total capital project support payable should the project subsequently be approved and implemented.

### Stage 3-Project fee support

10 Stage 3 project fee support will be considered where colleges require financial support towards the cost of consultancy and professional fees incurred to develop approved in-principle applications through to detailed applications.

11 To qualify for stage 3 project fee support, detailed applications should be developed to a stage equivalent to RIBA stage D+, which should include the following actions:

- complete development of project brief
- develop the detailed proposal from the approved outline proposals
- consult statutory authorities
- detailed proposal should show spatial arrangements, material and appearance and a cost estimate
- have submitted an application for full planning permission
- be in receipt of tendered costs.

12 Stage 3 fee support is available at the rate of the indicative level of grant support as agreed by the LSC on the in-principle basis, up to a maximum fee cost of £1 million. For example, if a capital project is approved as an AiP application at an indicative level of grant support of 40 per cent of the project cost, the level of fee support that the college could claim would be up to £400,000 based on evidence of eligible relevant fees and other expenditure of £1 million or more.

### Procedures and LSC requirements

13 The LSC's detailed requirements and procedures that colleges should follow when applying for all three stages of fee support are set out below.

#### Qualifying services

##### Stage 1

14 The feasibility fee costs qualifying for financial support from the LSC will be for external consultancy services to be employed by colleges to assist with determining the following:

- the financial feasibility of the project proposal in terms of its affordability by the college, the financial viability of the project proposal and value for money;
- the prospects for rationalising and improving the quality of college accommodation and provision and collaboration with one or more other FE providers;
- the educational case and justification for the proposal;
- the procurement and financing options (including the comparison of PFI and PPP proposals against conventional procurement and financing options) most likely to provide value for money and such informal market testing as may be necessary;
- space utilisation studies using specialist skills and software;
- the statutory planning context for the proposal and the advice required in order to obtain satisfactory planning consent; and
- the assessment of the disposal prospects of redundant property assets integral to the project proposal.

15 For PFI/PPP projects in particular, colleges will need to define on an indicative basis their requirements for premises, specialist services (for example, information technology services) and facilities management in terms of the services that the college will seek to purchase and the services that developers/operators/contractors could be required to provide.

### Stages 2 and 3

16 The project fee costs qualifying for financial support from the LSC will be for external consultancy services to be employed by colleges to assist with:

- determining the financial feasibility of the project proposal in terms of its affordability by the college, the financial viability of the project proposal and value for money;
- undertaking space utilisation studies using specialist skills and software;
- the statutory planning context for the proposal and the consultancy services required in order to obtain satisfactory planning consent;

- developing a detailed project design to either RIBA stage C or D;
- management of the project to the appropriate RIBA design stage;
- engineering consultancy services: structural, mechanical and electrical;
- quantity surveying services required to provide the appropriate level of costing for the project;
- sustainability design and specification guidance; and
- such other services as the LSC may, at its discretion, agree to be relevant and appropriate.

### Selection criteria

17 To receive consultancy fee support, college applications must meet the following criteria.

- The application must be for a project proposal previously identified within the college's current development plan or property strategy and be likely to be affordable by the college if implemented.
- The stage 1 application must be for capital project proposals likely to exceed £5 million estimated capital cost and lead to a significant and effective rationalisation of the college's premises either individually or through collaboration or merger with other providers. Alternatively, it must be for the provision on a PFI basis of a significant service or services (for example information technology, sports/leisure facilities, catering and so on).
- The stage 2 application must be for the development of an AiP capital project application with a likely total project cost exceeding £10 million.
- The stage 3 application must be for the development of a detailed project application with a likely total project cost exceeding £10 million that has already been given AiP approval by the LSC capital committee.
- The services for which the fee costs will be incurred must be provided by firms (or exceptionally individuals) able to demonstrate appropriate expertise.

- The LSC's RPA must have been consulted in advance on the basis of selection, the proposed fee arrangements and the terms of the appointments; and the college will be asked to certify that the appointments are made in accordance with the college's financial regulations.
- Total qualifying fee expenditure should exceed £20,000.
- For projects involving collaboration with one or more other colleges or education providers, evidence of support or endorsement from the relevant local education partnership is required.
- Agreement must be made by the college to share the results of the feasibility study including draft and final reports from the consultant(s) with the LSC.

should include the cost of all the fees that have been incurred at all three fee support stages. The previously claimed fee costs will then be treated as the first claim against the eventual FE capital project grant support claim. It should be noted that the overall level of grant that the college will be entitled to receive will not, as a percentage, be higher than the level of grant agreed at the time of the detailed capital project being approved. In other words, if fee support at stages 1 and 2 is paid out at a rate of 50 per cent and the project is approved at 35 per cent, the total grant payable will not be higher than 35 per cent of the agreed total cost of the project including all the fee costs.

18 Colleges are advised to discuss their proposals with the LSC's RPA before making an application for fee support. Failure to do so may delay consideration of the application.

### **Application procedure**

19 Colleges seeking financial support towards the costs of employing consultants to assist with the preparation of feasibility studies and capital project applications should complete the appropriate fee support application form contained within Annex E. One copy should be returned to the college's LSC partnership director and one copy to the LSC RPA.

20 In addition to completing the application form, colleges should provide a brief description of the proposed project and such additional information as may be necessary to confirm their intentions.

21 Fully completed applications with all supporting documentation and information will normally be determined within 30 working days of their receipt.

### **Claims procedure**

22 In order to receive payment of the fee support from the LSC, colleges should complete the feasibility study and project fee support claim form. This can be used for all three fee support stages.

### **Calculation of future capital project grant support**

23 When a college submits a detailed application for capital project support, the total cost of the project

# Guidance Note D: Guidance on completing a Post-Project Review

**For all providers including further education colleges, external institutions, specialist colleges, higher education institutions, skills academies, schools and local authorities**

## 1.0 Introduction

1.1 The purpose of a post-project review (PPR) is to enable colleges, and all other non-college recipients of LSC capital funding, to compare the actual outcomes of the project with original expectations and to enable the LSC to confirm that the corporation has considered project outcomes. In addition the LSC is required to keep records of all the funded capital investment that has taken place within the sector. This guidance note comprises the guidelines that need to be followed in order to complete the PPR form (Form E), which is contained within Annex E. This guidance note should be read in conjunction with the PPR form. A PPR should be completed between 12 and 18 months after the completion of a project. Following the college corporation review of the PPR, please ensure that the documents requested in the checklist below are sent to the LSC.

## 2.0 Checklist

2.1 The submission of the PPR to the LSC should consist of three copies of the following:

- a completed PPR form signed by the principal/head of the institution
- an investment appraisal of the project (in the LSC's standard appraisal format) that reflects the actual capital costs and updated revenue cash inflows and outflows
- a borrowing schedule showing all project and liquidity borrowing of the college

- a commentary of the outcome of the project in response to the questions below
- minutes of the governors' meeting at which they confirmed their consideration of the PPR.

2.2 All three copies should be sent to the LSC, one copy to the appropriate RPA, a second copy to the local partnership director and the third copy to the property team at LSC National Office.

## 3.0 College/institution details

3.1 Please can you fill in the college or institution details on the PPR form (Form E).

## 4.0 Funding, financing and project affordability

4.1 Please complete the funding and financing table in Annex E, showing the planned and actual funding and financing of the project.

4.2 Please can you indicate whether or not the loan (if applicable) has been fully drawn down and, if not, the level of loan drawn down. Please state whether the project caused any short-term cash flow difficulties and the reasons for that.

4.3 Please provide a borrowing schedule showing all project and liquidity borrowing of the college.

4.4 Please confirm whether you have been, or expect to be, able to maintain or improve your financial health as planned. Please set out the main factors as to why the forecast financial position has or has not been achieved up to the time of the PPR.

## 5.0 Investment appraisals

5.1 Please complete an investment appraisal for the project using the investment appraisal template based on the actual cost and income figures as opposed to the estimated figures.

5.2 Please explain to what extent:

- The predicted levels of staffing costs/savings have been achieved. If there was a variance, why did the variance occur and how was the actual achievement evaluated?
- The predicted levels of other costs/savings (planning, disposal, restructuring, property running costs) were achieved.
- The increase/decrease in FE learner numbers directly attributable to the project was achieved. Were the original funding assumptions for additional learners met?
- The predicted levels of other income were achieved.
- Any other income not previously accredited to the project has been received (for example, hiring out of the building).
- Any projected level of additional (or loss of) fee income has been achieved. How has this been evaluated?

## 6.0 Educational objectives and outcomes

6.1 What were the educational objectives of the project?

6.2 To what extent did the project achieve these objectives?

6.3 Were the capital works undertaken as a result of issues raised in an inspection report? If yes, please comment on whether these issues have been resolved?

6.4 What changes have been made to the curriculum that is being offered by the college?

6.5 Have there been any changes to the method of delivery for the curriculum now being offered?

6.6 What changes have been made to the location of the curriculum being delivered?

6.7 Please indicate what the effect on specialist provision has been (if applicable)?

6.8 Please complete the GLH table in Annex E.

## 7.0 Space utilisation

7.1 Please complete the space utilisation table in Annex E.

7.2 Please complete the type of space table in Annex E.

## 8.0 Capital costs

8.1 Please complete the elemental cost breakdown in Annex E, stating the original cost estimate and the actual cost of the project.

8.2 If the project was not completed within the original cost estimates, please set out the reasons for significant variance from the originally approved scheme.

8.3 If there were any additional works undertaken subsequent to the LSC's consent for the project, please indicate the nature of the additional works and the reasons for the works being carried out.

8.4 Has the original estimated life of the asset changed and, if so, what are the reasons for this?

8.5 Was a formal system of signing off project changes and additional costs in place?

8.6 Please indicate whether there has been any change in the estimated future refurbishment costs of the asset or the year for which it is planned?

## 9.0 Design

9.1 Did the project meet the original design brief?

9.2 Were late changes necessary and were they integrated into the project?

## 10.0 Project programme

10.1 Please complete the project programme table in Annex E.

10.2 If there were delays in the completion of the project, please explain the reasons for the delays.

## **11.0 Professional advisors**

11.1 Please complete the professional advisors table in Annex E.

11.2 Please comment on the performance of the professional advisors, the value and expertise they added and whether the college would use them again?

## **12.0 College and customer benefits**

12.1 How would the college use its learning experiences from this project to improve the management of the next project?

12.2 What have been the positive aspects of the project?

12.3 What have been the negative aspects of the project?

12.4 Please give a full description of any user surveys undertaken?

## **13.0 College compliance with post-project review procedures**

13.1 Please confirm that this PPR has been considered by the college corporation by attaching a copy of the minutes of the meeting at which the review was considered.

## **14.0 Declaration**

14.1 Please complete and sign the declaration in Annex E.



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