

SIR ANDREW FOSTER'S REVIEW OF FE CAPITAL

INTERIM REPORT TO THE LSC NATIONAL COUNCIL, 4 MARCH 2009

Introduction

1. I am reviewing the operation of the Further Education Capital Programme at the request of John Denham, Skills Secretary, and Chris Banks, Chair of the Learning and Skills Council. The aim is to understand fully how the programme works and the demands placed upon the capital budget - and to ensure that the programme is as effective as possible in prioritising and delivering policy objectives going forward.

Terms of reference

2. The specific Terms of Reference are to assess:
- the main causes of the increased demand for capital funding;
 - the internal LSC processes and scrutiny of the capital programme and how these could be improved; and
 - any further steps that can be taken to ensure that for the future the expectation and demand for capital funds are kept in line with budget requirements, bearing in mind the development of the Skills Funding Agency and Young People's Learning Agency and the proper role of DIUS and DCSF for capital matters.

Timing

3. The review will produce a final report by the end of March.

Progress and emerging findings

4. In conducting the review I have already met or have arranged to meet representatives from the FE sector itself, including Principals from a cross-section of colleges affected by the pause in approvals, the Association of Colleges (AoC) and 157 Group, senior officials from the LSC, DIUS and DCSF, and stakeholders in banking, construction, professional services and Partnerships UK. (A list of meetings is annexed to this note.) I have also received submissions from a number of organisations and colleges.

5. Everyone remains full of praise for the capital programme. In less than ten years it has redeveloped over half of the further education colleges' estates in the country. It is seen to deliver substantial benefits for students, employers and local communities by achieving a transformation of the sector's infrastructure as a means to better teaching and learning, management and leadership, and higher aspirations.

6. Emerging findings on contributory factors in budget pressures are:

(i) **effect of the success of the programme on number of**

applications. Colleges have been actively encouraged to come forward with capital proposals;

- (ii) **increase in average size of each project proposed.** More of the recent applications have been for campus-wide modernisation and renewal rather than for individual buildings or for refurbishments;
- (iii) **rise in cost of proposals because of higher expectations and standards** – for example, the appetite for iconic buildings and the increase in sustainability standards to BREEAM ‘excellent’;
- (iv) **increase in average level of capital grant requested.** The LSC funds the gap after taking account of the college’s required level of bank borrowing, surplus land sales, and other funding, such as college reserves; larger projects attract a larger percentage grant;
- (v) **impact of the economic situation,** as colleges find it harder to borrow, and to realise part-funding through asset sales;
- (vi) **the impact of machinery of government changes,** with speculation about the future of the programme, budget concerns and a speeding up of bids;
- (vii) **Improved ‘client capability’** - the setting up of frameworks, good practice guidance, and training may have resulted in colleges bringing forward applications more rapidly.

7. The review is focusing on how the above pressures have been managed and communicated between the LSC, Government and the sector as a whole. Key issues include:

- (i) **the major problems, how they occurred, and strategies to overcome those problems.** this covers the management and governance of the programme, budgetary control and delegation and the clarity of roles and responsibilities in the project development and approvals process;
- (ii) **the lessons for the new Departmental structure** to determine how the SFA and YPLA, with Government, can ensure strong, coherent governance at national, regional and local level;
- (iii) **how problems could have been avoided and criteria for improved performance in future** - exploring risk management, prioritisation and the sequencing of projects and payments;
- (iv) **communications relating to the management of the programme** during the run-up to the 17 December National Council meeting, the communication of the pause in project consents to proceed, the LSC’s internal review, and communications going forward.

Sir Andrew Foster
February 2009

ANNEX

MEETINGS RELATING TO THE REVIEW OF FE CAPITAL PROGRAMME

- Chief Executive and Chair of the 157 Group, Lynne Sedgmore and Graham Moore (who is also Principal of Stoke on Trent College)
- Chief Executive of the AoC, Martin Doel, and Assistant Chief Executive, Julian Gravatt
- 3 college Principals
 - Len Closs from Northampton College, which has the largest project for approval in detail, at £80m, deferred from December
 - Paul Wakeling from Havering Sixth Form College, which has a proposal at approval in principle stage
 - Mark Dawe from Oaklands College, due to come forward after March for an approval in detail
- Chris Banks, Mark Haysom and key staff from the LSC:
 - David Russell, Director of Resources
 - Philip Head, Director of Infrastructure and Property Services
 - Norman Boyland, Chair of the LSC National Capital Committee
 - Tom Crompton, Director for East Midlands Region
 - John Taylor, former National Council member, Capital Committee member and Principal of Sheffield College
- John Denham, and from DIUS, Stephen Marston, Director General of FE and Skills, and Susan Pember, Director of FE and Skills Performance
- From DCSF, Sue Baldwin, Director of Young People's Participation and Attainment
- Banking – Richard Watt, Director and Head of Education, Community and Government, Lloyds TSB Corporate Markets, along with Keith Norman
- Construction - Stuart Bean, Manager of the CBI Construction Unit
- Partnerships UK Chief Executive, James Stewart, with Peter Impey (PUK is a public private partnership formed in 2000 out of HM Treasury, a joint venture that bridges the gap between public and private sectors and is a key player in the Building Schools for the Future programme.)
- Professional services – John Bryan, Director, Bond Bryan Architects (one of the main architects in the framework agreements)