

## **Regional Capital Strategy – Update Summary for 2007-08**

A South West Regional Capital Strategy for 2006-07 for the South West approved by National Capital in April 2006. Subsequent publication of the FE White Paper means it will be necessary to review and update the strategy for 2007-08.

The FE White Paper set out the Government's expectation that 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 further education.

The main additional aims of the FE White Paper that the capital programme will be expected to address are:

- ensuring that regional capital strategies reflect regional and local plans to improve choice, quality and diversity and that those strategies in turn drive the approval criteria for individual capital
- supporting the expansion and reorganisation of provision to secure the capacity for high quality specialised diploma programmes and the entitlement
- securing the right organisational solution in each local areas by ensuring that qualifying 14-19 capital projects in the FE sector are appropriately funded
- prioritising the capital support necessary to enable high performing FE and Sixth Forms to expand their provision as part of the FE Presumption
- extending eligibility to capital grant to new providers and training providers where necessary to secure substantial, new high quality provision as part of a long term commitment to supply
- allocating capital grant to support the policy of specialisation, to develop National Skills Academies, CoVEs and sectoral networks. There are to be new grants for specialist equipment to help refocus mission and accelerate the rate of specialisation and to support the delivery of specialist diplomas

## **South West Capital Priorities**

The South West Regional Capital Strategy draws on existing and anticipated plans for capital investment in further education to support the long-term strategic aims of the post-16 learning sector. The policy drivers already identified must be underpinned by an understanding of demographic trends, particularly in relation to young people, and the need to ensure that the capital investment is "future proofed" as far as is reasonable to ensure that the infrastructure can respond to the changes in the technology that supports learning.

- Proposals should ensure maximum flexibility is being built in for the location type and delivery method of provision
- Proposals should be developed to ensure collaborative and innovative partnerships that benefit the learner and remove wasteful institutional competition
- Proposals should seek to raise the quality of the estate to the highest value for money standards
- Proposals should seek to establish flexible space that responds to developing learning technologies and the demands of the consumer
- Proposals should, where appropriate, demonstrate linkages with relevant aspects of the 14-19 agenda and responsiveness to employer and individual need

## **Priorities for investment derived from estate analysis**

Local capital planning has taken account of the following points arising from the above analysis:

- In all areas there remains work to do to complete the modernisation and rationalisation process. The estate in all but one of the areas is within acceptable space standards. However, all are close to the theoretical maximum, indicating that there is potential for further efficiencies.
- Wilts and Swindon is over provided in terms of space. To address this within a reasonable timescale will involve giving significant support to particular colleges.
- Proposals under development at Somerset and Dorset, and Devon and Cornwall will have a major impact on both space utilisation and, more importantly, quality of facilities although work remains for colleges to address outstanding quality issues.

## **Capital Investment Requirements**

Working with the Local Councils it is estimated that, at today's building costs, approximately £426 million is required, between 2006 and 2011, is required to achieve regional and national priorities, with a peak in investment in the years 2008-09 and 2009-10. Between 2011-2016 an additional £105 million of investment is required. These figures exclude funding through the 16-19 Capital Fund, CoVEs and FE Skills Academies. This is driven by sectoral and demographic factors relevant to the South West and the condition and size of the existing estate. Depending on colleges' abilities to borrow against future income, the LSC will need to invest between £149 million and £213 million (based on 35% and 50% intervention rates).

These numbers are under review with Area offices to take account of developing plans. Revised figures will be incorporated in the Local Capital Plans and Regional Capital Strategy for 2007-08.

For 16-19 Capital, CoVE investment and FE Skills Academies, an assumption of required funding of 10% is assumed throughout the plan period. On this basis there is an additional funding requirement of £86 million in the next five years.

## **Affordability and Implications for Capital Grant Levels**

28% of south west colleges are in Financial Group (FG) C, compared to the average for England of 17% (Benchmarking from FE Colleges' 2005-08 Financial Plans, LSC). Based on automatic financial health scores across all types of colleges, the South West is the only region not in FG A, being in FG B. Borrowing as percentage of income is highest in the South West. An implication of this is that this may limit colleges' ability to borrow more in the future to fund further necessary projects, leading to a requirement for higher LSC grant rates in the region.

## **Specialist Colleges**

Capital support for the specialist colleges should be focussed in two areas to support the outcomes of the report, namely:

- Investment in the existing FE infrastructure to encourage inclusion of LLDDs in mainstream education
- Investment in highly specialised facilities with regional and national importance, where that provision cannot be provided in the general FE sector

## **Sustainable Development**

The LSC is committed to upgrading the college estate, building well-designed new campuses and re-developing existing sites. In this way we can achieve world-class teaching in world-class buildings.

## **Future Investment Requirements**

Future infrastructure needs, beyond those already underway or approved, total some £530m. This does not preclude new capital requirements emerging in the future as national policy drivers and other factors impact on provision in the region.

In addition, a priority will be to ensure that appropriate provision is available to meet the needs of LLDD learners, and in the future this is likely to focus on a move away from residential provision.