



Department  
for Education

# College capital loans

Guidance for applicants

April 2023

# Contents

Summary	3
Introduction	4
Key dates	5
Eligibility for college capital loans	6
Constraints and conditions	8
Application assessment framework	11
Detailed application guidance	13
DfE capital grant funded projects	17
College self-funded projects	20
Application assessment timetable	27
Preparing and submitting your application	28

## Summary

This is guidance from the Department for Education. It sets out the objectives and terms of the college capital loans scheme, the types of institutions that are eligible to apply and how applications will be assessed.

## Who is this guidance for?

This guidance is for:

- FE colleges in England
- designated institutions in England
- sixth form colleges in England

These providers are collectively referred to as 'colleges' in this guidance.

## Main points

- The Department for Education is inviting eligible colleges to apply for loans for capital projects.
- The scheme will provide funding to eligible further education (FE) capital projects, either underway or in advanced stages of planning, that have a funding gap as a result of commercial borrowing restrictions following the reclassification of the FE sector.
- Colleges will need to demonstrate that they intended to borrow commercially for their capital project(s) prior to reclassification which took place on 29 November 2022.
- Colleges will need to submit an application for a capital loan. Applications will be assessed against the criteria set out in this guidance.
- The new scheme will be time limited, with repayable capital loan funding for projects available in financial years 2023 to 2024 and 2024 to 2025.
- We aim to conclude the application assessment process for projects in receipt of DfE capital funding by the summer 2023, and for non DfE ('self-funded') capital projects by the autumn 2023.
- Capital loans are repayable and lending is subject to terms and conditions.

## Introduction

On 29 November 2022, the Office for National Statistics (ONS) announced their decision to reclassify colleges into the public sector. Following reclassification, colleges and their subsidiaries are now part of central government. This means that they are now subject to the framework for financial management set out in managing public money (MPM).

MPM stipulates that colleges, as public sector organisations, may borrow from private sector sources only if the transaction delivers value for money for the Exchequer. Because private sector lenders have higher financing costs, in practice it is very unlikely that colleges will now be able to satisfy this condition of MPM for future private sector borrowing. The Education and Skills Funding Agency (ESFA) introduced a borrowing consent process following the ONS announcement so that colleges could apply for consent to borrow in exceptional circumstances.

Some colleges may have intended to borrow from private sector sources to fund capital improvements to their estate, but now are unable to. The department has provided £150 million in new capital funding to all colleges in April 2023, through the reclassification capital allocation, to help meet colleges' capital needs. For many colleges this will be sufficient to meet any immediate gaps in capital funding caused by restrictions on private sector borrowing.

The college capital loans scheme will make further funding available to colleges that still have a funding gap in their capital projects.

The objectives of the college capital loans scheme are:

- to provide colleges with access to funding for their capital projects where they had planned, before 29 November 2022, to borrow in order to deliver these projects
- to ensure that colleges can continue to deliver capital projects to improve the college estate and to support the delivery of high-quality further education in England

The college capital loans scheme is subject to specific eligibility criteria and conditions that are set out in this guidance. It is important that colleges considering applying for a loan take account of these criteria and conditions before applying.

College capital loans are available in the financial years of 2023 to 2024 and 2024 to 2025 only.

## Key dates

Scheme opens	24 April 2023
Application deadline	31 May 2023
Expected date by which colleges will receive notification of outcome of applications relating to DfE capital grant funded projects	Summer 2023
Expected date by which colleges will receive notification of outcome of applications relating to self-funded capital projects	Autumn 2023

## Eligibility for college capital loans

This scheme is open to colleges in England with capital projects, either underway or in advanced stages of planning, that now face a funding gap as a result of commercial borrowing restrictions following the reclassification of the FE sector.

Colleges will need to submit evidence that they intended, prior to 29 November 2022, to borrow commercially for their capital project. Please see [Stage 1: Assessment of eligibility for capital loan](#) for more details on the evidence required to meet the eligibility criteria.

## Eligible projects

Loans can be used for projects that are at an advanced stage of planning or already underway. Projects may already benefit from DfE or other government department funding or be self-funded. For example, a project may be:

- approved for and/or in receipt of capital grant funding from DfE such as the FE capital transformation programme, T levels Capital, Institutes of Technology, post-16 capacity fund or an Office for Students Strategic Priorities Capital Grant
- approved for and/or in receipt of other government department grant funding such as the Towns Fund or the Salix scheme
- self-funded by the college

For DfE grant funded projects, colleges may apply for a loan to meet match funding or provide a bridging loan where colleges had previously intended to borrow commercially.

All projects must improve the college estate and support the delivery of high-quality further education in England.

## Ineligible projects

The following types of projects will not be eligible for funding through a college capital loan:

- projects where the primary purpose or objective does not relate to the provision of further education and training. For example, large atria, commercial activities not related to government funded provision or where the estate is being let to tenants. Where colleges have a residential component, this will be seen as essential to the provision of further education and training for the purposes of this scheme.
- projects that involve leasing or rental of buildings that do not belong to the college, except in the case where there is ownership on a long-term leasehold arrangement. This is because it is highly unlikely that the tenure arrangements in

commercial leases, subject to annual rental payments, will represent value for money.

## **Ineligible costs**

The following categories of cost are not eligible for funding via a college capital loan:

- internal staffing costs
- rent service charges
- routine maintenance costs
- supply of loose furniture and equipment

Investment via a college capital loan must be in tangible assets that the college owns. This can include IT infrastructure. Where expenditure on software is necessary in order to make an asset usable, then this can be funded via the capital loan for one year only. Beyond this, annual software licenses should be treated as regular revenue costs.

## **Project activity**

The project must improve or create a capital asset used for education provision for students between the ages of 16 and 18 years and adult learners.

Any expansion of gross internal floor area (GIFA) of a college will need to be justified by evidence of need to expand. In the case of DfE capital grant funded projects, GIFA expansion is subject to the specific terms and conditions that providers have already signed up to, or will be asked to sign up to in the case of colleges successful in the latest post-16 capacity fund bidding round.

In all cases, we expect capital projects to be part of the colleges' estate strategy, aligned with national skills priorities and in support of local priorities set out in the Local Skills Improvement Plan for the area. We reserve the right to request to see a college's estate strategy in the application process.

## Constraints and conditions

### Number of applications per college

There is no limit to the number of applications per college providing the eligibility and assessment criteria can be met. One application should be submitted for each capital project where there is a funding gap as a result of restrictions in commercial borrowing. We need to be able to assess the details of each capital project separately. Colleges must ensure that any dependencies between separate capital projects are clearly identified.

### FE reclassification capital allocation

It is our expectation that all colleges must first have utilised their share of [the £150m reclassification capital allocation](#) paid in April 2023. The loan value applied for should be net of the college's share of the £150 million reclassification capital allocation unless there are exceptional circumstances that justify otherwise. Colleges will need to demonstrate this in the application process and provide details of any exceptional circumstances as necessary, including where funding is needed to address higher priority need elsewhere on the college estate.

### FE capital transformation fund allocations

Some FE colleges will have been notified in April 2023 that they will receive an allocation of funding in financial years 2023 to 2024 and 2024 to 2025 through the FE capital transformation fund allocation. Colleges in receipt of this allocation should determine whether any of their project funding gaps in relation to estate condition improvement can be met through this allocation before submitting their loan application.

### Size of loan

The college capital loans scheme is designed to meet funding gaps as a result of restrictions in commercial borrowing. It is not designed to meet other needs for capital project funding. We are not setting a maximum limit to the size of loan that colleges may apply for, but colleges will need to provide evidence of the level of commercial borrowing they intended to undertake. Projects will be considered on a case-by-case basis.

### Timing of draw down of the loan

Colleges should plan to draw down capital loan funding before 31 March 2025.



## Drawing down and repaying a loan

Loan draw down requests may be monthly to a pre-agreed profile. Colleges will be required to submit evidence each month that capital works are progressing to schedule, to provide assurance that work is on track and that costs are aligned with the profile.

Loan draw downs will be paid in arrears to the timetable and profile required for the project works to be completed over financial years 2023 to 2024 and 2024 to 2025. Further guidance on requirements of college monitoring returns and how these will be approved, will be provided in post-approval guidance.

Repayments will be made on a quarterly basis through abatement of future revenue payments from the ESFA. Colleges may make early repayments of their loans.

Quarterly loan repayments will usually commence from the month following completion of the capital project. Repayment of short-term bridging loans will be linked to the anticipated timing of capital receipts from agreed asset sales.

## Term of the loan

The term of the loan will be determined for each college based on an affordability assessment focused on maintaining adequate cash days throughout the forecast period, after completion of the capital project. This will take into account planned asset disposals, capital and revenue grants and any other exceptional cash flows or circumstances of a college.

## Interest rates

Interest will be charged, from the point of first draw down, at Public Works Loans Board fixed standard new loan rate for a debt maturing in up to 1 year. More detail can be found at: [Current Interest Rates \(dmo.gov.uk\)](https://www.dmo.gov.uk/interest-rates). The interest rate will be initially set at the rate applicable on 1 April preceding the date of the loan and will be updated annually on 1 April for the duration of the loan agreement.

## Loan agreement

We will provide further information about the loan agreement in due course including, but not limited to, security required. Applicants should operate on the basis that security will be required particularly on high value loan applications.

Colleges will need to sign a legally binding loan agreement before any loan funding can be drawn down, so may want to plan in advance for governing body meetings and legal representation to ensure this happens in a timely fashion.

## DfE expectations for investment in capital assets

We expect capital assets funded through the college capital loans scheme to be used for further education purposes for a certain amount of time, in alignment with other DfE capital programmes. The minimum standards for each type of project are as follows, unless specified in terms and conditions of the specific DfE capital grant programme.

**New Build:** where capital is used for new build projects, we would expect the building to be used for education purposes for at least 60 years. For up to 30 years after the date of the capital funding agreement, the investment should be used for further and technical education. From years 30 to 60, it is expected that the building could also be used for general education uses if it cannot be used for further and technical education.

**Refurbishment:** for major refurbishment works, the department expects building components to be replaced with a specification and lifespan equivalent to new builds. For lighter refurbishments, the expectation is that the building would be used for further education purposes for at least a 20-year period.

# Application assessment framework

Applications will be assessed in two stages.

**The first stage** will check that the college is eligible for a college capital loan as set out in [Stage 1: Assessment of eligibility for capital loan](#).

**The second stage** will assess the need for the capital project proposed, that the costs are reasonable for the project, that investment will deliver value for money and the college has a sound delivery plan. The specific assessment criteria are set out in more detail in [Stage 2: Assessment criteria](#).

## For colleges with DfE capital grant funded projects

We will use bid and grant award documentation submitted to DfE previously as part of the second stage of assessment. Colleges will need to declare and provide details of any changes to capital projects since their initial bid was submitted and assessed, which may lead to further assessment. This recognises that we have already assessed DfE capital grant funded projects while self-funded projects are being submitted to us for the first time. This includes projects in receipt of grant funding for the following programmes:

- FE capital transformation fund
- post-16 capacity fund
- T Levels capital buildings fund
- Institutes of Technology
- Office for Students Strategic Priorities Capital Grant

## For colleges with self-funded projects

For colleges applying for loans for 'self-funded' projects that are not part of the DfE capital programmes above, information will need to be provided by colleges to allow assessment. Projects that benefit from funding from other government departments, for example, Towns Fund or Salix, will also be treated as 'self-funded' projects.

## Prioritisation of funding

If the college capital loan scheme is over-subscribed, we will prioritise funding on the basis of the time when draw downs are required, so applications for projects that require loan funding to be drawn down more urgently would be prioritised.

## **Implementation of the loan**

If applications meet the evidence threshold against the eligibility and assessment criteria to be awarded a loan, we will then develop proposed repayment terms for each college. In all cases, we will carry out an affordability assessment using specified financial information provided by the college in their application and existing financial information held by ESFA. We will consider affordability based on college-by-college specific circumstances whilst applying fair and consistent criteria, including that an adequate level of liquidity is being maintained (for example, FE commissioner minimum 25 cash days benchmark).

## **Fast-track**

We will prioritise applications with an urgent funding need. In these cases, stages one and two of the assessment process will be undertaken in parallel with 'Implementation of the loan'.

## Detailed application guidance

### Stage 1: Assessment of eligibility for capital loan

#### **Evidence the college has a capital project with a funding gap as a result of restrictions in commercial borrowing following reclassification**

Colleges will need to provide evidence of intent to borrow before 29 November 2022 for capital purposes. We require colleges to provide at least one or more of the following:

- informal evidence of intent to borrow from a commercial lender regarding a capital project or capital development more generally dated before 29 November 2022; or
- evidence of an agreement, or agreement in principle with a commercial lender regarding a capital project or capital development more generally dated before 29 November 2022; or
- evidence that a college's governing body agreed to borrow from a commercial lender to fund a capital project or capital development more generally and that this agreement took place before 29 November 2022; or
- for projects that are part of DfE's FE capital transformation programme, evidence that the college had identified a need for a bridging loan as part of its bid for funding at the second stage of the bidding process

The evidence that colleges are required to submit is set out in the table below.

#### **Colleges must provide evidence to meet at least one of the categories in the table.**

We expect that colleges will either have made a request to the ESFA for consent to commercial borrowing for and the request was declined or declined in part, or that colleges notified the DfE of the funding gap in their capital project, as requested in the letter to accounting officers sent on 1 March 2023.

Eligibility assessment	Evidence required
<p>A. Informal evidence of intent to borrow before 29 November 2022</p>	<ul style="list-style-type: none"> <li>• copy of email or postal correspondence between the college and a bank or other lender</li> <li>• the correspondence should explicitly refer to the college’s need to borrow in order to fund a specific capital project, or capital developments or improvements to the college estate more generally</li> <li>• the correspondence must reference the capital projects or developments that the loan application pertains to</li> <li>• the correspondence does not need to include a final decision from the lender; it may request further information from the college</li> <li>• the correspondence must be dated before 29 November 2022</li> <li>• evidence should be attached along with the loan application form and templates</li> </ul>
<p>B. Agreement in principle from a lender before 29 November 2022</p>	<ul style="list-style-type: none"> <li>• copy of email or letter correspondence between the college and a bank or other lender</li> <li>• the correspondence should state that the lender agrees or agrees in principle to lend to the college for the purposes of the capital project(s) or capital developments or improvements to the college estate more generally that the loan application pertains to</li> <li>• the correspondence does not need to include a final decision from the lender; it may request further information from the college</li> <li>• the correspondence must be dated before 29 November 2022</li> <li>• evidence should be attached along with the loan application form and templates</li> </ul>

<p>C. Governing board agreement</p>	<p>Where colleges do not have specific evidence of intent to borrow from a lender before 29 November 2022, they can submit evidence of a governing board resolution agreement for the college to borrow commercially.</p> <p>This evidence must be:</p> <ul style="list-style-type: none"> <li>• governing body minutes, signed by the chair of the governing body and dated before 29 November 2022</li> <li>• able to show that the governing body had agreed to the college borrowing from a commercial lender in order to fund a capital project(s) or development. The capital project(s) or development referred to in the minutes must relate to the project(s) that the loan application pertains to</li> <li>• evidence should be attached along with the loan application form and templates</li> </ul>
<p>D. Evidence of need for bridging loan for delivery of approved FE capital transformation fund project</p>	<p>Where colleges have an approved FE capital transformation fund (FECTF) project, they can submit evidence of need to take out a bridging loan to finance their project, pending sale of an asset.</p> <p>This evidence must be:</p> <ul style="list-style-type: none"> <li>• relevant section(s) from the college’s FECTF application at stage 2 of the bidding process in Autumn 2021</li> <li>• able to show that the college intended to meet project funding requirements and cashflow deficits in part by taking out a bridging loan, which would then be paid off via proceeds from sale of an asset. For example, a building or land that is no longer needed</li> </ul>

## Assessment of eligibility

We will assess that the evidence provided meets at least one of the criteria A, B, C or D in the table above.

Any application that does not have evidence to meet at least one of the criteria will be deemed ineligible for a capital loan, and the application will not be assessed further.

## Stage 2: Assessment criteria

### How we will assess your application

The application assessment criteria are set out within this section. Each application will be reviewed against the criteria.

The table on [preparing and submitting your application](#) sets out the templates and information required as part of an application.

We will only provide loans where we assess that applications meet the criteria. If your application does not meet the criteria, then it will not be successful.

The application assessment criteria are set out separately for DfE capital grant funded projects and college self-funded projects. Please ensure you refer to the correct section when preparing your application(s).

There are separate application forms to be completed for DfE capital grant funded projects and college self-funded projects.



## DfE capital grant funded projects

### Project need

Colleges will need to provide the name of the project, start date, finish date and any changes in their application. We will use the initial bid to the relevant programme to inform our assessment. The need for the project was assessed at the initial bid stage and we will not repeat this assessment.

Colleges will need to declare if any significant changes have been made to the scope of their project since the initial bid stage.

Project need section: DfE grant funded projects	Information required in application
Project information	<p>You must provide the name of your project and the DfE or OfS capital programme that it is part of.</p> <p>Please also include the name of your site where the capital works are taking place.</p> <p>Where applicable, you should include the reference number from your DfE capital grant letter(s).</p>
Details of any significant changes made to the scope of the capital project	<p>Please set out details of any approved changes to your DfE capital project.</p> <p>If you have project changes that are not yet approved, please discuss these with your DfE capital lead first. Please do not submit requests for approval through your capital loan application.</p>
Project start and completion date	<p>By start date, we mean the date when work started or is planned to start on site.</p> <p>By completion date, we mean the date when work has concluded on site.</p>
Draw down of capital loan	<p>All colleges must provide a monthly profile of their project funding, to include any grant funding, other contributions and capital loan funding required.</p> <p><b>Please complete and submit the Estates Expenditure Profile Template.</b></p>
Colleges have taken account of the reclassification capital allocation when considering funding of their project.	<p>All colleges should confirm in the application that they have deducted the reclassification capital allocation from the total amount of funding required for the project.</p> <p>Where the allocation amount has not been deducted, you should set out why and justify exemption from this criteria.</p>

We will use this information to assess your lending requirements.

We will also compare against the capital grant agreement for your project, including the match funding contributions originally agreed, and any approved changes to your project.

## Cost reasonableness

Colleges with capital grant funded projects were asked to submit details of costs at the bidding stage and the reasonableness of costs were assessed. You will be asked to declare and, where possible, supply suitable evidence of any changes in costs. We will only repeat this assessment in cases where project costs have changed by more than 10%.

Where project costs have increased, we need to assess costs again as the capital loans scheme is not designed to meet any funding gaps arising from increased project costs.

<b>Project costs section: DfE grant funded projects</b>	<b>Information required</b>
Change in project costs	You must confirm if the costs for your project have increased by more than 10% since the project was approved through the grant funding letter.  If the costs have increased by more than 10%, you must explain why and: <b>Please complete and submit an updated project costs template.</b>  We will then assess the extent to which the costs are reasonable, by comparing them against DfE cost benchmarks for the types of works proposed.

## Delivery plan

Colleges with capital grant funded projects must submit an up-to-date delivery plan for the project. This must recognise that draw down of the loan is available in financial years 2023 to 2024 and 2024 to 2025.

## Affordability assessment

We will need to carry out an affordability assessment to develop a repayment plan that the college can afford without compromising its financial stability. The repayment plan will be provided by the ESFA to the college at the point a loan offer is made.

<b>Cash flow forecast section: DfE grant funded projects</b>	<b>Information required in application</b>
Cash flow forecast	A 24-month cash flow forecast with supporting narrative and schedules should be completed and submitted using <b>the cash flow forecast template.</b>
Asset disposals	Provide details of any asset disposals (such as, valuations, offer letters, sale contracts) to contribute to the project costs. Where the loan request is for a bridging loan, explain how the asset disposal will contribute to repayment of the loan.

Alongside this information, we will use information collected regularly by the ESFA about the colleges' financial position, including any updated College financial forecasting return (CFFR) provided post-July 2023.

## College self-funded projects

### Project need

You will need to provide details of the project and the rationale for why the capital project is needed. You will also need to provide an assessment of other options that were investigated before starting the project, including a 'do nothing' option, in order allow assessment of the value for money of the project.

We will also assess the extent to which the project improves the college estate and/or supports the delivery of high-quality further education.

Finally, we will check the basis on which the assets that are being built and/or developed through the capital project are held.

<b>Project need section: self-funded projects</b>	<b>Information required in application</b>
Project information	You must provide the name of your project and the name and address of your site(s) where the capital works are taking place.
Asset information	You must confirm that the capital works relate to assets held on either a freehold or long-term (125 years+) leasehold basis. If that is not the case, you must set out the basis on which the asset will be held.
Project start and completion date	By start date, we mean date when work started or is planned to start on site. By completion date, we mean the date when work has concluded on site.
Draw down of capital loan	All colleges must provide a monthly profile of their project funding, to include any grant funding, other contributions and capital loan funding required. <b>Please complete and submit the estates expenditure profile template.</b>
Colleges have taken account of the reclassification capital allocation when costing their project.	All colleges should confirm in the application that they have deducted the reclassification capital allocation from the total amount of funding required for the project. Where the allocation amount has not been deducted, you should set out why and justify exemption from this criteria.

Project funding breakdown	<p>Set out all sources of funding for the capital project for which you are applying for a loan:</p> <p><b>Please complete the project funding breakdown tab in the project summary template.</b></p>
Project description	<p>You must complete all three questions/template below:</p> <p>i) Set out in no more than 250 words why your capital project is needed, and what outcomes it will deliver (in application form).</p> <p>ii) Set out in no more than 250 words how your project will support delivery of the government’s priorities for skills and education and local skills priorities (in application form).</p> <p>iii) <b>Complete the estates summary tab in the project summary template.</b></p>
Project options	<p>Using the costed <b>strategic options tab in the project summary template</b>, you must set out the options that were considered when developing your project. One of these options should be a ‘do nothing’ option.</p> <p><b>Projects that are already in delivery do not need to include a third strategic option.</b></p>
Estates strategy	<p>Please confirm that your college has an up-to-date estates strategy. We reserve the right to ask colleges to submit a copy of their estates strategy.</p>

## How your application will be assessed

We will use the information that you submit to assess your lending requirements and to assess whether your application meets the project need criteria below. To achieve an assessment of ‘met’ against this criteria, we will assess your responses in the application form and templates to determine that:

- investment via the loan is in capital assets that are held on either a freehold or long-term leasehold basis. If this is not the case we will need to consider the basis on which assets will be held and whether this demonstrates value for money
- investment via the loan must improve the college estate and/or support the delivery of high-quality further education
- the project offers good value for money, compared to other options for capital investment on this site(s), including a ‘do nothing’ option
- you have set out a monthly profile of loan draw downs required that reflects the fact that loan funding is available in the financial years 2023 to 2024 and 2024 to 2025

## Estate expansion

If your self-funded project will expand the Gross Internal Floor Area (GIFA) of the college, this will need to be justified and supporting evidence will need to be provided.

You will need to demonstrate that additional capacity is needed and justified and that the proposed project will not result in a surplus of post-16 places. Applications will be reviewed against ONS data on demographic trends to ensure there is evidence of need for additional post-16 places.

<b>GIFA expansion section: self-funded projects</b>	<b>Information required in application</b>
Change in GIFA pre and post project	<p>You must set out the GIFA of the site(s) on which the project is being delivered, both before and after the project is delivered.</p> <p>We expect colleges to make effective use of the existing estate. If you are proposing a project that will result in an increased GIFA you will need to justify this.</p> <p>If your project does not include an expansion of the college GIFA, then you do not need to complete any further parts of this section.</p>
Need for expansion	<p>You must set out why the additional space is needed, and why the current site(s) cannot be re-configured without expanding the GIFA.</p> <p>You should consider including reference to the following to support your case:</p> <ul style="list-style-type: none"> <li>• Ofsted or other independent reports on the impact of any shortage of space on teaching and learning</li> <li>• explanation or evidence of exceptional circumstances relating to capacity constraints</li> </ul>
Learner forecasts	<p>You should provide forecasted numbers of post 16 learners in each of the next 5 academic years, for the site(s) on which the project will be delivered.</p> <p>In no more than 500 words you should set out your evidence base and analysis behind the forecasted learner numbers.</p> <p>You should demonstrate that you have taken into account your college's current and future 'market share', and that you have considered the capacity of other post 16 providers in your travel to learn area.</p> <p>You should set out why the additional space provided by your project will not lead to an over-supply of post 16 places in your travel to learn area.</p>

## How your application will be assessed

We will use this information to assess whether your project meets the criteria for justifying estate expansion.

- i) Demonstration that additional space is needed and justified and that the proposed project will not result in a surplus of post-16 places in both the institution and the travel to learn area:
  - to achieve an assessment of 'met' against this criteria: you must provide clear evidence of the need for additional space
  - we will not approve applications unless there is a strong justification for the need for additional space
  
- ii) Evidence provided of learner demand and projected learner growth.
  - to achieve an assessment of 'met' against this criteria: you must set out future learners numbers that are supported by evidence
  - you must demonstrate that the additional space created by your project will not lead to an oversupply of post- 16 places in the travel to learn area

We will cross-check your responses against ONS population projections and against planned changes to provision such as new free schools and post-16 capacity fund projects.

We reserve the right to ask colleges to submit additional evidence, including a space needs assessment, where assessment raises concerns that a college's estate may be oversized as a result of the expansion project compared to its future learner projections.

## Cost reasonableness

We will assess whether the costs outlined are reasonable by benchmarking against other similar project costs, procurement framework prices, and standards as appropriate. This assessment will also consider the appropriateness of the solution proposed; if a project is over-specified it could be deemed to be unreasonably high cost for the issue being addressed. We will also assess whether the costs are sufficiently detailed and certain. The level of detail and certainty expected will vary depending on the type and size of project.

<b>Project costs section: self-funded projects</b>	<b>Information required in application</b>
Breakdown of project costs	<b>You must complete and submit the project costs template.</b>
Evidence to support costs	<p>You must provide copies of contractors' estimates and/or consultants' reports to support accuracy and certainty of project costs – these should be dated.</p> <p>Please also set out any assurances you have received for project costs.</p> <p>You must ensure that costs have been assured by a qualified Quantity Surveyor.</p>
Abnormal costs	If there are any abnormal construction or elemental costs associated with your project, please explain these.
Professional costs	If professional fees account for more than 10% of your overall project costs, please explain why this is.
Sustainability	Please indicate whether or not your project meets the standards set out in the <a href="#">DfE FE Output Specification 2021</a> . If it does not, please explain why this is.

## How your application will be assessed

We will use this information to assess whether your project meets the threshold for cost reasonableness. To achieve an assessment of 'met' you will need to demonstrate that:

- costs are reasonable, and within DfE benchmarks for the types of work proposed. We will compare your proposed costs against DfE benchmarks to determine whether or not they are reasonable
- any abnormal costs and/or higher than normal professional fees associated with the project are fully broken down and explainable. To meet the criteria you will need to provide clear breakdown of any abnormal costs and/or higher than normal professional fees
- costs are sufficiently detailed and certain. To meet the criteria, you will provide evidence to support your costs and confirm that your costs have been assured by a qualified Quantity Surveyor
- you have considered sustainability standards, setting out the specific standards considered. To meet the criteria, you will set out clearly what sustainability standards have been considered



## Project delivery plan

You must submit an up to date delivery plan for your project. This must recognise that draw down of the loan is available in financial years 2023 to 2024 and 2024 to 2025.

<b>Project delivery section: DfE self-funded projects</b>	<b>Information required in application</b>
Delivery plan	<b>You must submit a copy of your latest project delivery plan</b> , preferably a gantt chart, showing project phases, milestones and timelines.
Planning permissions and statutory approvals	You should set out what planning permissions and/or other statutory approvals are required for this project. Please attach copies of any approvals / consents received to date. Please also set out any current or likely future issues with planning permissions / approvals.
RIBA framework	You should confirm that the project is being delivered in accordance with RIBA stage 2 as a minimum.

## How your application will be assessed

We will use this information to assess whether your project has an appropriate delivery plan. To achieve an assessment of 'met' you will need to demonstrate that:

- the delivery plan provides confidence that the project is deliverable in the timescales
- the timeline for draw down of the capital loan align with the planned delivery timescales
- the project is being managed in a way that meets RIBA stage 2 as a minimum

## Affordability assessment

We will need to carry out an affordability assessment to develop a repayment plan that the college can afford without compromising its financial stability. The repayment plan developed will be provided by the ESFA to the college at the point a loan offer is made.

Project delivery section: DfE grant funded projects and self-funded projects	Information required in application
Cash flow forecast	A 24-month cash flow forecast with supporting narrative and schedules should be completed and submitted using the <b>cash flow forecast template</b> .
Asset disposals	Provide details of any asset disposals (such as, valuations, offer letters, sale contracts) to contribute to the project costs. Where the loan request is for a bridging loan, explain how the asset disposal will contribute to repayment of the loan.

Alongside this information we will use information collected regularly by ESFA about the colleges' financial position, including any updated College financial forecasting return (CFFR) provided post-July 2023.

## Application assessment timetable

Applications must be submitted by email by midnight on 31 May 2023. Applications will be triaged by urgency of funding need, which we will determine by reviewing the expenditure profiles submitted and information concerning the status and start dates of projects. Colleges will be notified directly about whether their application has been approved after their application has been assessed.

We expect to be able to notify colleges applying for loans for projects in receipt of DfE capital grant funding whether they have been approved for a loan by Summer 2023.

For colleges with self-funded capital projects, we expect to be able to notify colleges by Autumn 2023. This is because these applications will require full assessment.

Where a college has urgent funding needs they should already have brought this to our attention through the ESFA consent process or in response to the accounting officer letter to all colleges on 1 March 2023. Colleges will be notified if their application is being dealt with on a 'fast-track' basis.

# Preparing and submitting your application

## Application forms

There are 2 different application forms published alongside the guidance:

- DfE grant funded project loan application form
- self-funded project loan application form (which includes a section on expansion for projects wishing to expand GIFA)

## Templates

4 templates are published alongside the guidance and application forms:

- estates expenditure profile
- project summary template
- project cost template
- cash flow forecast

## Other evidence

Colleges are required to submit an up-to-date delivery plan for each loan application and also provide the necessary supporting evidence with their application.

The table below summarises what should be provided by different project types.

	DfE grant funded project	Self-funded project: no expansion	Self-funded project with expansion
DfE grant funded application form	<input checked="" type="checkbox"/>		
Self-funded application form		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> (please complete expansion section)
Evidence to support eligibility criteria	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Estates expenditure profile template	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Project summary template		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Project cost template	<input checked="" type="checkbox"/> (if costs more than 10% higher than original costs approved)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Up-to-date project delivery plan	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Copies of planning approvals and statutory consents (where applicable)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Cash flow forecast template	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

## Submitting your application(s)

Application forms and any supporting documents should be submitted for each application in one e-mail. If file sizes are problematic, multiple similarly-named emails can be submitted clearly labelled as submission 1 of the total number.

Colleges must submit their applications by midnight 31 May 2023 to the [collegcapital.LOANS@education.gov.uk](mailto:collegcapital.LOANS@education.gov.uk) mailbox.

## Naming convention

The naming convention for colleges to use for submitting applications is:

- Email Subject Title: [College name] - [UKPRN number] - [Submission X of X]
- Example: New College - 12345678 - Submission 1 of 2

Your application files should be named in the following format:

- File Attachment Title: [Name of College] – [UKPRN number] – [Attachment X of X]
- Example: New College - 12345678 - Attachment 1 of 4

On receipt of your application, you will be sent an acknowledgement. Any additional information received after the deadline to support your application cannot be considered.

## Acceptance of applications

Payment of college capital loans is discretionary and the department is under no legal obligation to accept any application or to enter into any loan agreement in response to any application, whether or not the applicant meets the relevant criteria and whether or not funds are available.

Neither the invitation to apply for a loan, nor any communications with you or your representative or agent, nor any other communication in respect of the process, will be deemed to create any legally enforceable agreement, expectation, promise or representation (express or implied) that the department will accept any application or make any loan available.

The department reserves the right not to offer loans for some or all of the available funding for which applications are invited. The department reserves the right to amend, add to or withdraw all or any part of the invitation to apply at any time during the application process and prior to the relevant deadline for receipt of applications, for whatever reason.



Department  
for Education

© Crown copyright 2023

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit [nationalarchives.gov.uk/doc/open-government-licence/version/3](https://nationalarchives.gov.uk/doc/open-government-licence/version/3).

About this publication:

enquiries [www.education.gov.uk/contactus](https://www.education.gov.uk/contactus)

download [www.gov.uk/government/publications](https://www.gov.uk/government/publications)



Follow us on Twitter:  
[@educationgovuk](https://twitter.com/educationgovuk)



Like us on Facebook:  
[facebook.com/educationgovuk](https://facebook.com/educationgovuk)