

# **Development of evidence to support the need for a sustainable capital funding stream and for further capital funds towards Scotland's Colleges' estates**

## **Background**

- 1 This work has been developed into three key areas:
  - how the capital monies have been spent to date and what has it achieved?
  - what further need there is for funds for key capital projects for Colleges?
  - a Study into a Sustainable Capital funding stream for colleges.

## **Capital Projects**

- 2 A total capital sum in the region of £350m has been spent to date on 20 capital projects for Colleges. This can be split into 3 categories:
  - completed projects – 4
  - projects approved and underway – 9
  - projects at Business Case stage – 7
- 3 One of the ways the impact of the College capital programme on the overall estate is being assessed is through eMandate. The FE estates database for colleges' estates statistics (eMandate) has now been up and running for 3 years throughout the UK led by Drivas Jonas. The contract has recently been re-rendered and now IPD are running the database (IPD have been very successful in running the University equivalent – EMS). There has been an average participation of 67% in Scotland, which will now rise as submission of data to eMandate is now mandatory for colleges as a condition of capital grant.
- 4 Initial statistics from eMandate for the period up to September 2005 show the following:
  - an increase in the amount of space achieving RICS categories A and B is up on average from 62% to 67%
  - continued progress towards compliance with DDA and SENDA requirements
  - the percentage of maintenance to Total Property Costs held at a constant level despite increasing energy costs

- there is still a huge challenge with unfit for purpose estates
  - Scotland's colleges' annual spend on maintenance needs to increase
- 5 From the experience that we have gained with the Capital project program to date and the requirement to ensure that we create the best further education environment, taking into account Scottish Executive priorities, we have issued guidance on the following;
- Sustainable Development;
  - Spaces for Learning; and
  - revised Estates Strategy guidance which includes sections on Internationalism, Efficient Government and Co-location/Collaboration.

### **Further need for Capital Projects**

- 6 We are presently reviewing the need for funding for large capital projects in the future to date we have identified 8 with an anticipated cost in the region of £650m.

### **Requirement for Sustainable Capital**

- 7 The Council have commissioned a study into requirements for sustainable levels of capital for Scotland's Colleges the report from this study will be available late summer 2006.

### **Conclusion**

- to recognise the significant impact the £350m has made to the Scotland's colleges to date;
- that a continued Capital Projects Funding stream should be allocated from the next spending reviews – circa £650m funding requirement has been identified; and
- that Scotland's Colleges require a sustained level of maintenance funding to allow the estates to be maintained at a 'steady state' to avoid significant backlogs developing again.

### **Way Forward**

- more detailed information from the completed projects through Post Project Reviews needs to be compiled to demonstrate the significant impact the capital programme has made to date.

- more detail on the projects presented for consideration in the next spending review is to be collated.
- the report from the study into sustainable capital is to be issued.

### **Further Information**

8 Please contact Claire Bell, Assistant Director of Capital Projects, Scottish Funding Council, 0131 313 6673, [cbell@sfc.ac.uk](mailto:cbell@sfc.ac.uk)

## **Annex A – Brief for Sustainable Capital Study**

The objective is to establish a sustainable capital investment plan for Scotland's colleges. In particular, we have asked the consultant to undertake the following tasks:

Estimate the existing backlog maintenance requirements for the four pilot colleges, using available evidence (such as condition surveys and maintenance schedules), and convert it into an investment plan, recognising the different types of college and different approaches to implementing estate strategies;

Repeat the above for a sample of colleges that have yet to submit business cases in support of requests for capital funding, as advised;

for those colleges (pilot and sample) assess the impact of different ways of valuing their assets and recommend an appropriate, consistent measure that may be used for benchmarking in the future, then establish the asset values of those colleges using this measure, giving regard to practice in other publicly-funded sectors and the different capitalisation policies in practice;

Based on the above work, for those colleges establish college profiles which identify the major drivers of capital equipment, having regard to the different curriculum areas that colleges deliver;

for those colleges estimate the sustained annual investment needed in future to maintain high quality, flexible accommodation based on the above measure and in line with any legislative requirements;

Compare the annual capital investment need for those colleges against current levels of available capital funding and capital expenditure, recognising the different elements of this (including IT and capital equipment, leases and rental arrangements, maintenance and life cycle expenditure);

As the study progresses, consider how to extrapolate the findings in an appropriate way to estimate the sustained annual investment need for the sector; and

Having regard to the above work, advise SFC on factors that should be taken into account when moving from the current capital funding of the sector, through major projects, to a 'steady state' funding regime.

Where appropriate the consultants should have regard to the parallel exercise being undertaken for the HE institutions across the UK and other available information such as life cycle provisions in PFI/PPP contracts (such as exist in the schools sector).

Given the nature of the study, the consultants may wish to bring in other consulting support.

### **Output / deliverables**

The final output will be an interim report for the end of May 2006 followed by a single final report to the steering group and SFC by the end of July 2006 and a presentation of the findings to the Council's Capital Investment Committee (CIC) in September 2006. The report should be comprehensive, clear and concise, meet all the requirements of the above specification, and include an executive summary.

### **Timescale**

The following timetable will be required to be met:

<i><b>Date</b></i>	<i><b>Task</b></i>
7 April 2006	Tender replies submitted
28 April 2006	Consultant appointed
31 May 2006	Consultant to submit interim report
31 July 2006	Consultant to submit final report
29 September 2006	Consultant to present findings to CIC