

## SLALE ROSCO FE Review - 14 September 2006

### Interim report on progress in gathering evidence to inform the next spending review

#### *Purpose*

- 1 The purpose of this paper is provide an interim report to the group on the progress being made in gathering evidence for the ongoing need for capital funding for Scotland's colleges.

#### *Background*

- 2 There are essentially three areas where SFC is gathering evidence for its submission to the next spending review:
  - Firstly, there are the known and likely commitments for major capital funding in the period covered by the next spending review;
  - Secondly, there is the work currently underway to provide an evidence base which should allow SFC, working with the colleges, to move towards an ongoing sustainable capital funding stream in the medium term; and
  - Thirdly there is the more qualitative evidence gathering of the benefits to staff, students and the wider communities from investment in colleges' estates.

#### *Known and likely commitments*

- 3 The Council's Capital Investment Committee monitors, at each meeting, the ongoing capital programme, including those where the Council is being asked to support projects beyond the end of the current spending review period. Council was asked, very specifically in these cases, to provide support to get these projects to a sufficiently advanced stage that they will be able to progress quickly. These colleges cannot, without the Council's prior approval, commit themselves to major capital expenditure ahead of the outcome of the spending review next autumn.
- 4 There are 2 or 3 projects where a small amount of capital funding support from the Council may be required beyond the end of the current SR period, however there are only 2 (Anniesland and Motherwell) where there are significant known commitments beyond that period and where the arrangements set out in paragraph 3 above apply.

- 5 We are aware of a further 4 colleges, in addition to the ongoing preparatory work for the Glasgow city centre colleges project, where there is likely to be some form of capital funding commitment for SFC and we are working to quantify this as far as is possible.
- 6 We also intend gathering information on the intentions of those colleges not yet 'on the radar' in terms of submitting business cases in support of major capital projects, however we need to take a view on whether the timing of any project at an early stage of development would be likely to impact on the next spending review period.

### **Sustainable Capital funding**

- 7 The Council's long-term capital funding policy for Scotland's colleges is the same as for HE; to enable colleges to maintain and replace their assets on a sustainable basis. Scotland's colleges are essentially in a transitional state in terms of capital investment, given that more than half of colleges are implementing, or may soon be implementing, major capital projects, or already have done so. Nonetheless evidence from colleges' submissions shows that all colleges continue to rely upon formulaic capital grant to address their estates needs on an annual basis.
- 8 It is clear that, currently, colleges do not receive sufficient funds from formula capital grant to allow them to address their needs on a sustainable basis. The Council has commissioned consultants to examine what level of capital funding, ultimately, the sector will require in order to move all colleges on to a steady state sustainable capital funding footing. The consultants' brief is attached as Annex A.
- 9 We will have a draft report from the consultants which will be considered by the Funding Council's Capital Investment Committee on the 29<sup>th</sup> September and by the SLALE steering group thereafter.
- 10 The consultant's work is still ongoing, however their initial findings suggest that:
  - there are three 'categories' of estate which may require different levels of funding: 'as new' college campuses (Edinburgh's Telford College, Cardonald College), 'phased development' campuses (Stevenson College, Angus College) and college campuses which will require major redevelopments and where this is not likely within a 2 or 3 year horizon (notably the Glasgow city centre colleges);
  - the most consistent measure of recurrent investment should be the insured asset value of the estate, recognising that there are difficulties associated with this measure; and
  - capital funding should be ring-fenced, at least in the medium term.

## Evidence gathering on the impact of capital investment

- 11 We are in the process of requesting post project evaluations from colleges with recently completed major capital projects. A pro-forma was issued to all relevant colleges at the end of July and we continue to work with those colleges to collect this information, most notably in areas such as student demand and retention, student and staff perceptions, student self esteem and stakeholder perceptions.
- 12 Using the lessons we have learnt from colleges to date we have produced guidance, in draft form, on post project evaluations which will allow colleges to assess fully the impact of their project.
- 13 We are continuing to develop the estate management statistical return (eMandate), the return of which became mandatory this year. Through time this will allow colleges to benchmark their own performance but will also allow the Council to monitor and report on trends across the sector, in areas such as the overall fitness for purpose of the estate and space efficiencies which should accrue from new investment.
- 14 In terms of promoting recognised good practice we have issued recently, or are shortly to issue, guidance in the following areas:
  - Sustainable Development (this is currently under review);
  - Spaces for Learning: new approaches to designing space for learning and teaching environments; and
  - Estates Strategy guidance which has been revised and extended to include guidance on facilities for international students, the promotion of *Efficient Government* and co-location and collaboration.
- 15 Through time, we intend gathering evidence, through post project evaluations, on how colleges are embracing these areas in the designs of their new campuses and their impact on the staff and student experience. In terms of the submission for the next spending review, however, this evidence will be limited.

## Conclusions and recommendations

- **We should give priority to some of the more qualitative benefits to capital investment, including student recruitment and retention, which can sit as evidence alongside the quantitative data on capital funding needs.**
- **That a full report on the three types of evidence set out in this paper should be prepared for the October steering group meeting.**

## Further Information

- 16 Please contact Claire Bell, Assistant Director of Capital Projects, Scottish Funding Council, 0131 313 6673, [cbell@sfc.ac.uk](mailto:cbell@sfc.ac.uk) or Martin Kirkwood, Deputy Director of Funding, Scottish Funding Council, 0131 313 6583, [mkirkwood@sfc.ac.uk](mailto:mkirkwood@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 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.