

Performance and Resources Committee Meeting

Date of Meeting	Tuesday 2 May 2017
Paper Title	(Draft) Capital Funding Policy 2017-18
Agenda Item	8
Paper Number	PRC6-D
Responsible Officer	Jim Godfrey, Interim Finance Director
Status	Disclosable
Action	For Decision

1. Report Purpose

- 1.1. To propose an approach to the allocation of Capital Funding for 2017-18.

2. Recommendations

The Committee is invited to:

- 2.1. **Comment** on the list of strategic priorities and request that an abbreviated set of priorities (for capital funding) is provided to the Board meeting on 22 May 2017. This will be used as the criteria to assess requests for capital funds.
- 2.2. **Recommend** to the Board that they approve the proposed Capital Funding Policy 2017-18, subject to any agreed amendments.
- 2.3. **Request** that strategies for ICT and estates are developed for the region based upon an objective assessment of need. Such strategies will be used to inform capital funding from 2018-19 onwards.
- 2.4. **Request** that the Board Secretary arrange a further meeting of this Committee to take place towards the end of June 2017 to consider capital funding proposals for 2017-18.
- 2.5. **Request** that the Board gives delegated authority to this Committee to approve capital funding proposals for 2017-18.

3. Background

- 3.1. The overall standard of facilities in Glasgow is very good with some excellent resources available to learners and staff. The accommodation has also benefited from significant investment in recent years, which has resulted in this positive position. The challenge is to ensure that the standard of accommodation is maintained and that the other facilities are invested in to bring them up to the level required.

3.2. This policy has been prepared in order to provide a framework for the distribution of capital funding to the Assigned Colleges for 2017-18. Capital funds can be used for a range of purposes next year and the following are identified as the priorities:

- Enable lifecycle maintenance to retain high quality facilities.
- Raise the standard of some facilities.
- Develop future strategies based upon need.

4. Report

4.1. A copy of the (Draft) Capital Funding Policy 2017-18 is attached. A summary of the key elements of this Policy is shown as an appendix to this document.

5. Risk Analysis

5.1. The risks associated with this paper are identified below:

Risk	Mitigating Action
A delay in the distribution of capital funds could impact on the ability of a College to complete its programme of works within the financial year.	The implementation of this policy will be expedited to enable decisions to be taken with minimal delay.
The implementation of this policy could result in an outcome that a College deems to be disadvantageous to its position.	The policy, and its implementation, will be open and transparent. Decisions will be objective and evidence based.

6. Legal Implications

6.1. There are no specific legal implications associated with this paper for GCRB.

7. Financial Implications

7.1. The financial implications in respect of this policy are contained within the report.

8. Regional Outcome Agreement Implications

8.1. The implementation of this policy will allocate resources to support the delivery of the Regional Outcomes.

Appendix – Summary (Draft) Capital Funding Policy 2017-18

Strategic Aims

The following aims will apply to the allocation of Capital Funding for 2017-18:

- Capital Funding will be used to meet the Government Objectives for 2017-18.
- Capital Funding will be used to meet the priorities identified in the emerging Regional Strategy for College Education in Glasgow.
- Capital Funding will be used to meet the outcomes agreed within the 2017-18 Glasgow Regional Outcome Agreement.
- Capital Funding will be used to meet the priorities identified in the Glasgow Regional Skills Assessment 2016.
- The Regional Board will be a member of the Asset Management Group and recognises that this has the potential to inform future capital plans.
- The Regional Board will determine specific objectives relating to capital funding and these will be subject to regular review. The Regional Board may allocate specific sums of money to each objective, or invite funding requests, from Colleges which are assessed against the delivery of these objectives.
- Requests for capital funding in 2017-18 will be consistent with current strategies, which will be considered as part of the allocation process. Through reliance upon existing documentation, the Regional Board will maintain a light-touch approach in respect of the analysis of funding requests.
- The Regional Board will maintain a watching brief of a range of external developments and incorporate these within its policy for capital funds as appropriate.

Lifecycle Maintenance

In 2017-18, the following policy will be implemented for Lifecycle Maintenance:

- 50% of the capital grant will be set aside to enable Assigned Colleges to address lifecycle maintenance in 2017-18. The grant for lifecycle maintenance will be allocated using the proportion of target Credit Activity for 2017-18.
- The Regional Board will adopt a 'light touch' approach to the arrangements for Lifecycle Maintenance subject to the Colleges providing an agreed level of progress reporting.
- During 2017-18, the Regional Board will develop its approach to long-term funding for Lifecycle Maintenance. Such an approach will seek to provide further clarity regarding future funding and will give greater weight to an assessment of needs.

Appendix – Summary (Draft) Capital Funding Policy 2017-18

Other Capital Projects

For 2017-18, the Regional Board will adopt the following approach to the allocation of capital funds for Other Projects:

- Invite Colleges to submit proposals to the GCRB Interim Director of Finance by Wednesday, 14 June 2017. A sub-committee of the Board of Management will meet to consider proposals by the 28 June 2017. Decisions will be communicated to Assigned Colleges on 30 June 2017.
- Proposals are invited for significant projects (equivalent to 15% of the grant allocated to a College for Lifecycle Maintenance). Lower value proposals will be considered for professional fees e.g. investigative works, project management, strategy development etc.
- GCRB will create a streamlined set of objectives that will be used to evaluate proposals.
- 10% of the amount available (i.e. £228,800) will be retained as a contingency to respond to an emerging need. Any unspent amount will be released to fund additional lifecycle maintenance in February 2018 (based upon the target level of credit activity for 2017-18).

Management of Funds

For 2017-18, the Regional Board will adopt the following approach to the management of capital funds:

- Colleges will provide copies of project management information to inform the Regional Board of progress in respect of capital projects.
- Colleges will inform the (GCRB) Interim Director of Finance of any material changes to a capital project. Any changes to a project will be considered and reported to the Performance and Resources Committee for approval.
- Payments will be made to the Colleges in line with actual expenditure incurred.
- Colleges will inform the Regional Board of any (capital) proceeds e.g. from the sale of assets or insurance claims. Income from such sources can then be reviewed in order that funds are allocated fairly.
- Colleges will inform the Regional Board of any capital funding receipts from an Arm's Length Foundation in order that the Regional Board understands the investment plans of each college.

Monitoring Policy Evaluation

For 2017-18, the following arrangements will be put in place:

- Progress reports on the implementation of this policy will be reported to each meeting of the Performance and Resources Committee.
- The effectiveness of this policy will be reviewed in April 2018, the results of which will inform the Regional Board's approach to future capital funding. The review, and Capital Funding Policy for 2018-19, will be presented to this Committee in May 2018.

(Draft)

Capital Funding Policy

2017-18

1. Purpose

The purpose of this paper is to help facilitate discussion regarding capital funding to enable the development of the Regional strategic approach to capital funding for 2017-18.

2. Executive Summary

A range of issues have been considered in respect of capital funding and these are identified below. Having considered the issues, a number of proposals have been made for discussion. The key proposals are highlighted in the body of this report and feedback on these issues would be welcomed. A Capital Funding Policy for the Regional Board will then be produced taking into account feedback on these proposals and any other element of this paper.

In summary, it is proposed that Capital Funding for 2017-18 will consist of two elements; a baseline grant to enable colleges to meet the costs of lifecycle maintenance, and a capital fund to deliver strategic objectives.

3. Aims/Underlying Principles

It would be helpful to agree the principles that will underpin the Capital Funding Policy of the Regional Board. It is proposed that the following principles shall apply to this policy:

- Consistent – with Government & Scottish Funding Council policy.
- Enable - a regional approach.
- Support – the aims, objectives and strategies of the Regional Board and the colleges.
- Objective – based upon need and supported by evidence.
- Equitable – ensuring a consistent quality of experience throughout the region.
- Transparent – decisions will be made and communicated openly.
- Expedient – allowing colleges to make progress in a timely manner.
- Minimal burden – maximising the use of existing college strategies and project management systems.

4. Approach

The following steps have been taken in order to inform the draft policy:

- Existing Strategy Documents (of Colleges and the Regional Board) were reviewed.
- Meetings with college colleagues to help understand of future capital plans.
- Meeting with the Scottish Funding Council to understand the background to the estate in Glasgow and explore issues in respect of the uses of capital funds.
- Discussions with the Executive Director, Chair of the Board and Chair of the Performance and Resources Committee to develop some of the ideas.
- Discussion with Chairs and Principals Group on 20 April 2017.

5. Capital Funding

a. 2016-17

The Region received a total of £5,621,271 of Capital Grant in 2016-17. This consisted of two separate awards; £3,438,296 (March 2016) and £2,182,345 (September 2016). The original grant was available to meet a range of capital expenditure needs with the supplementary grant being provided specifically to meet the “upgrade and maintenance of college estates.” Within the Glasgow Region, the original grant was allocated to the three colleges based upon their share of credit activity and historic allocations.

In respect of the supplementary grant, proposals were invited from the colleges and the Regional Board determined which proposals to support. The bids were considered by the Regional Board and eleven projects were funded (further details provided at Appendix A). In addition, it was agreed that external project management would be contracted to provide additional support. These projects are being delivered by the colleges and progress reports have been provided to the Regional Board.

b. 2017-18

An indicative allocation of £47.4m for the College Sector was announced in February 2017. The table below provides an analysis of the grant allocations:

College Capital FY 2017-18	£ million
Forth Valley College - Falkirk Campus	£21.5
Fife College non-NPD costs	£3.8
New College Lanarkshire - loan repayment	£1.1
City of Glasgow College non-NPD costs ¹	£0.2
College Capital/Maintenance grant (sector)	£20.8
Total	£47.4

It is worth noting that some of the capital budget has been allocated for specific items, the largest of which is for a campus development in Falkirk. The grant for College Capital/Maintenance (£20.8m) has been allocated to each Region based upon the share of credit activity. For the Glasgow region, this equates to 21.8% of the total i.e. £4,573,746. (full details of the regional allocations are provided at Appendix B). The task facing the Regional Board is to develop its policy in respect of capital funding. Outlined in the following sections are a range of options for discussion. Consideration of these topics will help to shape the Regional Board’s policy in respect of the disbursement of capital funds.

¹ This is an allocation of £243,648 to meet the final IT costs associated with the new campus. This amount will be paid directly by the Scottish Funding Council to the supplier.

c. 2018-19 and beyond

Currently, capital funding is allocated for one year with no further details regarding future funding. This can make it difficult to plan capital expenditure in the medium to long-term. However, there are two developments that may have a significant bearing on grant funding.

In the past, grant allocations have been based upon the levels of teaching activity. The benefit of this is that each college receives a share of funding based upon the volume of learning. However, the downside is that it does not reflect the 'needs' of a college or region. This point was highlighted by Audit Scotland in their Review of Scotland's Colleges (2016).

The Scottish Funding Council is currently undertaking a condition survey of the college estate. It is likely that this condition survey will be used to inform an assessment of needs and that funding could be matched with need in the future. Colleges, and regions, could see an adjustment in the level of grant funding if the Scottish Funding Council updates its methodology for allocating capital grants.

In the light of the above, it will be necessary to review this policy on an annual basis. The proposals for 2017-18 therefore stand alone and cannot provide an indication of funding for 2018-19 and beyond.

6. Identifying Need

As identified above, future funding is likely to be linked to need and this is a principle that should apply at regional as well as the national level. The main challenge at present is that there are gaps in the level, and of quality, of information available to assess need at a regional level. For example, an up-to-date survey of the condition of the estate would provide an objective assessment of maintenance priorities.

There are also a range of factors that affect the capital requirements of a College e.g. the treatment of depreciation, commercial activity, funding provided by Arms' Length Foundations and different funding mechanisms such as the NPD contract for City of Glasgow College. It would be beneficial to undertake a piece of work to examine these various issues with the aim of increasing understanding and also to consider the impact on future needs.

The assessment of needs could then be used to inform (Regional) Strategies for Estates and ICT. The development of such strategies would provide an objective basis on which to allocate future funding to meet needs.

7. What can the Capital Grant be used for?

It is important to consider the parameters surrounding the receipt of the capital grant. These parameters will determine the approach of the Regional Board.

In 2016-17, additional capital funds were provided for the maintenance of the College estate. The provision of these funds enabled Glasgow Clyde College and Glasgow Kelvin College to address backlog maintenance and improve the quality of the facilities.

SFC/AN/02/2017 (allocating funds for 2017-18) stipulates that Capital Funds can be used to “support research and infrastructure investment”. The definition, and uses of capital funding, was also discussed with the Scottish Funding Council at a meeting on 29 March 2017. This enabled some potential examples to be explored to understand how the criteria could be interpreted. The criteria enable the Regional Board to determine that capital funds may be used for a range of priorities which could include:

- Continuing to address backlog maintenance.
- Developing new facilities to meet learner needs.
- Investing in new technologies.
- Undertaking innovative research and development.

The (Capital Grant) Circular also reiterates the Scottish Government’s high-level strategic objectives, as set out in the Letter of Guidance of 29 September 2016 from the Minister for Further Education, Higher Education and Science. These objectives are:

- “Highly efficient and effective regional structures for colleges, including structures in multi-college regions.
- High-quality, effective learning.
- Access to education for people from the widest range of backgrounds, including implementation of the recommendations of the Commission on Widening Access.
- Learning which prepares people well for the world of work and successful long-term careers, and which prioritises provision that meets known skills gaps in the economy, for example in STEM subjects, and in doing so supports our ambitions for economic growth.
- Leading the college contribution to implementing the Developing the Young Workforce strategy.
- Address the underrepresentation of women on the governing bodies of colleges and universities and at senior levels, and gender balance among student intakes for some key subjects, including STEM subjects.”

Capital Funding will be used to meet the Government Objectives for 2017-18. [GCRB Capital Funding Policy]

8. Strategic Objectives for Further Education in Glasgow

Having considered the objectives at a national level, the next step might be to consider the strategic objectives for Glasgow. It might seem obvious to state that capital funds should be used to address these strategic objectives. However, a shared strategy might be something to work towards rather than something that exists today. For example, there isn't a single estates strategy for Further Education in Glasgow but individual colleges have their own strategies.

The following documents will help to inform a strategic approach to capital funding:

a. A Regional Strategy for College Education in Glasgow

In March 2017, consultation took place to begin the process of developing a new strategy for College Education in Glasgow. As a result, the following statements were developed:

Vision - We provide life changing learning through an efficient and effective regional college system which widens access to education for people from the widest range of backgrounds and improves regional and national prosperity.

Mission - To improve the economic and social well-being of residents from the Glasgow College Region and Scotland through the coherent provision of accessible and high quality college education.

In addition, the following table summarises the emerging strategy

	'The how'	'The what'	'The who'
A regional learning system:	<i>Life-changing learning</i>	<i>A coherent regional curriculum</i>	<i>Participation and progression</i>
A regional delivery system:	<i>Strong and productive relationships</i>	<i>Efficient and effective services</i>	<i>Valued staff and learners</i>

Capital Funding will be used to meet the priorities identified in the emerging Regional Strategy for College Education in Glasgow. [GCRB Capital Funding Policy]

b. 2017-18 Glasgow Regional Outcome Agreement

The Agreement was approved by the Glasgow Colleges' Regional Board on 22 March 2017. The 2017-18 outcomes of the Regional Outcome Agreement² are:

- Delivering the right learning in the right place.
- Widening access.
- Delivering high quality and efficient learning.
- Developing the workforce.

Capital Funding will be used to meet the outcomes agreed within the 2017-18 Glasgow Regional Outcome Agreement. [GCRB Capital Funding Policy]

c. Glasgow Regional Skills Assessment (2016)

The review identified a number of key areas for skills training providers to address. These issues have informed the Regional Outcome Agreement (above) and it is also worth noting these priorities below:

- Meets the needs of employers.
- Widens access and increases the pool of labour.
- Enhances progression routes and pathways.
- Provides more flexible provision.

Capital Funding will be used to meet the priorities identified in the Glasgow Regional Skills Assessment 2016. [GCRB Capital Funding Policy]

d. Strategic Objectives (Wider Region)

The approach to capital funding may also be influenced by developments within the region, such as the Glasgow Community Planning Partnership. This body has recently created an Asset Management Group with responsibility for looking at a collaborative approach to the use of public assets across Glasgow.

The Regional Board will be a member of the Asset Management Group and recognises that this has the potential to inform future capital plans. [GCRB Capital Funding Policy]

² Further detail of the Regional Outcome Agreement is provided as an Appendix to this document.

e. Strategic Objectives (Glasgow Colleges' Regional Board)

The following objectives are also suggested as those that the Regional Board might consider as part of a strategic approach to capital funding:

- **Lifecycle Maintenance** – this is certainly consistent with the purpose of the capital grant (as defined by the Scottish Funding Council). Maintaining the quality of facilities and services for learners, will also deliver high quality learning in the right place.
- **Equality of Provision** – the funds could be used to ensure learners across Glasgow have access to high quality facilities. Capital funding might be used to invest in those parts of the region that require investment to reach the high standards elsewhere.
- **Utilisation of funds to enable a regional/collaborative approach** – capital funds could be used to facilitate developments across the region. Perhaps there might be developments that could be progressed on a regional basis e.g. the development of regional strategies for estates or IT.
- **Environmental/Carbon Reduction** – funds could be identified to meet specific obligations faced by public bodies, for example, carbon reduction.
- **Health/Safety/ Wellbeing/Access** – again funds could be set aside to meet emerging obligations e.g. to enable the region to comply with best practice, in respect of equalities.

These objectives are not specifically identified in the Strategic Documents referred to above.

The Regional Board will determine specific objectives relating to capital funding and these will be subject to regular review. The Regional Board may allocate specific sums of money to each objective, or invite funding requests, from Colleges which are assessed against the delivery of these objectives. [GCRB Capital Funding Policy]

f. Strategic Objectives (Colleges)

The Colleges have developed a number of strategies both individually and collaboratively, for example;

- Glasgow Colleges Strategic Partnership – A Vision for College Learning 2015-2020.
- Strategic Plans and Strategies (e.g. Estates, Finance, Sustainability).

Requests for capital funding in 2017-18 will be consistent with current strategies, which will be considered as part of the allocation process. Through reliance upon existing documentation, the Regional Board will maintain a light-touch approach in respect of the analysis of funding requests. [GCRB Capital Funding Policy]

g. Other Influences

- A Blueprint for Fairness – The Final Report of the Commission on Widening Access, March 2016.
- Futures Not Backgrounds – Universities Scotland, July 2016.
- Colleges Scotland Think Piece – The Learning and Skills Journey, October 2016.
- Science, Technology, Engineering and Mathematics – Scottish Government Consultation on a Strategy for Education and Training – November 2016.
- Developing the Young Workforce (Scotland’s Youth Employment Strategy) – 2nd Annual Progress Report 2015-16 – published December 2016.
- Equipping Scotland for the Future (Key Challenges for the Scottish Skills System) – Institute for Public Policy Research, January 2017.
- Submission to Science, Technology, Engineering and Mathematics (STEM) Consultation on the Draft STEM Education and Training Strategy – Colleges Scotland, January 2017.
- Arrangements for assuring and improving the quality of provision and services in Scotland’s colleges – Scottish Funding Council, December 2016.

The Regional Board will maintain a watching brief of a range of external developments and incorporate these within its policy for capital funds as appropriate. [GCRB Capital Funding Policy]

9. Proposals for Implementation

Following a review of the relevant strategic priorities above, it is appropriate to consider how capital funding could be used to meet these objectives. A number of proposals are made below which attempt to meet the Strategic Objectives in a way that is consistent with the Aims/Underlying Principles set out on the first page.

a. Lifecycle Maintenance

An option is to allocate an amount of capital grant that will enable the Assigned Colleges to meet on-going lifecycle maintenance. The criteria for the use of this grant might flexible, i.e. it must be consistent with the aims of this strategy but the exact nature of the expenditure would be for the College to determine. The primary aim of this grant would be to maintain facilities in order that learners can access high quality facilities. The utilisation of funds for lifecycle maintenance will help to ensure that the College estate is maintained to a high standard and enable the right learning to take place in the right place.

A grant of this nature could be allocated on the basis of (target) credit activity or area of the estate. Using area would be a reasonable basis for allocating a maintenance grant but it would need to be defined and subject to regular review. The advantage of using credit activity is that it is agreed at the start of the year and is clearly understood.

If an amount is allocated to meet the cost of lifecycle maintenance then a proportion of the total grant could be used for this purpose. A number of different scenarios were considered and it is proposed that 50% of the total capital grant should be allocated to the Assigned Colleges on the basis of credit activity. This would result in the following allocation:

50% of the Total Grant is allocated for Lifecycle Maintenance				
	City of Glasgow College	Glasgow Clyde College	Glasgow Kelvin College	Total
Credit Activity	180,819	128,360	79,778	388,957
Grant Allocation	£1,063,100	£754,700	£469,000	£2,286,800

The 50% level is considered to provide the Assigned Colleges with some certainty of funding for lifecycle maintenance and a degree of autonomy in terms of the use of the funds.

50% of the capital grant will be set aside to enable Assigned Colleges to address lifecycle maintenance in 2017-18. The grant for lifecycle maintenance will allocated using the proportion of target Credit Activity for 2017-18. [GRCB Capital Funding Policy]

Arrangements for a Lifecycle Maintenance Grant

In respect of a grant for lifecycle maintenance, it is appropriate for the Regional Board to adopt a 'light touch' approach. The Board would need to be assured that the grant would be used for the purpose intended and receives a level of assurance and it is proposed that:

- The College should provide a summary of its lifecycle maintenance plan with indicative costings.
- There could be an offer of grant from the Regional Board, which requires acceptance by the Assigned College subject to certain commitments e.g. to meet the requirements of the Financial Memorandum.
- The College should provide a summary of works undertaken, and related expenditure, during the financial year (at least every 6 months and at the year-end).

The Regional Board will adopt a 'light touch' approach to the arrangements for Lifecycle Maintenance subject to the Colleges providing an agreed level of progress reporting. [GCRB Capital Funding Policy]

Long-term approach for Lifecycle Maintenance

The Regional Board's may also wish to consider an approach to lifecycle maintenance beyond 2017-18. The following points may be helpful in determining an approach:

- There are different arrangements for funding lifecycle maintenance in City of Glasgow College, as a result of the NPD charge, compared to the other two colleges. Irrespective of the model, all colleges would welcome some clarity of future (lifecycle maintenance) funding to assist with long-term financial planning.
- However, there are no guarantees in terms of the future capital funds available to the Region. The Region will press the Scottish Funding Council/Scottish Government to provide greater certainty regarding future funding.
- It would be beneficial to have a consistent analysis of the condition of the current college estate within the Glasgow Region. The results of the national condition survey (or an independent analysis) would provide an assessment of future needs and a rationale for allocating future funds.
- It is possible that, as a regional strategy evolves, the Regional Board might wish to decrease the percentage funds available for lifecycle maintenance and increase funds directed to meet needs.

During 2017-18, the Regional Board will develop its approach to long-term funding for Lifecycle Maintenance. Such an approach will seek to provide further clarity regarding future funding and will give greater weight to an assessment of needs. [GCRB Capital Funding Policy]

b. Other Capital Projects

If funds are allocated for lifecycle maintenance above, then the remainder is available to deliver some of the other priorities identified previously. The following observations may be helpful in enabling the Regional Board to develop its approach to the disbursement of additional capital funds:

1. The scope for using capital funds is wider than that which governed the additional capital grant in 2016-17. A broad range of opportunities are therefore available to the Regional Board and the Colleges.
2. Colleges are likely to have identified future projects within their strategic plans for Estates, IT etc. Some of these projects may already be developed, which means that the projects can be delivered promptly i.e. to take place during the summer period.
3. Other projects might be at an early stage of development but may be equally valuable. It is important to ensure that these projects are not disadvantaged because of their stage of development. Capital grant could therefore be used to enable a College to develop its strategies, project plans, specifications and tenders.
4. There might also be priorities at a regional level that could develop a future strategic direction. For example, the Regional Board may want to develop a regional strategy for IT, or Estates. This work could build on the strategies of individual colleges but could then be used to influence future decision making. Until the region has developed such an approach it is reliant upon the proposals from individual colleges.
5. As a Regional Approach evolves, there would be an opportunity to increase the percentage funds available for strategic capital projects and meet specific needs.

Proposals for Other Capital Projects

Outlined below is a proposal as to how funds might be applied for Other Capital Projects in 2017-18:

Grant available

This would be the total grant less the amount of money utilised for lifecycle maintenance i.e. if 50% of the total funds were provided for lifecycle maintenance it would leave £2,286,800 for projects.

Submission of Proposals

In the first instance, Colleges could be invited to submit proposals that meet the stated objectives. Such proposals would be expected to be supported by existing strategies and documentation. In order to maintain an approach that is 'light-touch', the Regional Board would place reliance on the documents that a College has prepared in the normal course of the good management practice. The submission of proposals could include requests for financial support to develop a strategy, plan, specification or tender.

Streamlined Objectives

For 2017-18, proposals would be measured using the Strategic Objectives identified earlier in this document. In addition, the Regional Board could highlight objectives that it is particularly keen to support. For example, the Regional Board could state that:

“The Regional Board welcomes proposals for Capital Projects that support the Strategic Objectives. In particular, the Regional Board invites proposals that:

- Enable learners to access a baseline level of facilities at all campus locations in Glasgow.
- Demonstrate a collaborative approach to the provision of services and facilities.”

The above text is merely a suggestion as to how the Board could seek to prioritise some objectives over others. In the future, the Regional Board, could increase its influence if desired, e.g. a sum of money could be earmarked for a specific objective and proposals invited to deliver this.

Minimum Project Size

It is reasonable to expect that the cost of small projects will be met from within the existing College revenue budgets or the allocation for lifecycle maintenance. The Regional Board may therefore wish to consider a minimum size for proposals for Capital Projects. This could be a fixed figure, e.g. £150,000, or a percentage of the amount allocated for lifecycle maintenance, e.g. 15%. The first option is simple, and straightforward, whereas the second option means that the minimum level is relative to the size of the college.

The Minimum Project Size would not apply to requests for funding to support investigative works, or for professional fees.

Allocation of Funds

The initial allocation of funding could take place as soon as this strategy is adopted (to allow works to commence as soon as possible thereafter). However, it is possible that the Regional Board may want to withhold some funding until a later date, for example:

1. The Regional Board might wish to retain a contingency to respond to an emerging issue.
2. Funding may be provided initially, which might have consequential implications, e.g. investigative works may be necessary to discover the source of a problem, which then allows a solution to be identified and costed.
3. Funding may be provided to enable a College, or the Regional Board, to develop a plan or strategy that results in a future funding bid.
4. An outline proposal may be received which could be supported in principle but requires further work before funds are approved.

Flexibility

The Regional Board could be flexible in the use of its funds to support capital projects. For example, to support a project that is part of a wider collaboration with other parties. Furthermore, it may consider proposals whereby a College is seeking a financial contribution with some of the funds coming from another source e.g. Arm's Length Foundation.

For 2017-18, the Regional Board will adopt the following approach to the allocation of capital funds for Other Projects:

- **Allocate £2,286,800 for Other Projects.**
- **Invite Colleges to submit proposals to the GCRB Interim Director of Finance by Wednesday, 14 June 2017. A sub-committee of the Board of Management will meet to consider proposals by the 28 June 2017. Decisions will be communicated to Assigned Colleges on 30 June 2017.**
- **Proposals are invited for significant projects (equivalent to 15% of the grant allocated to a College for Lifecycle Maintenance). Lower value proposals will be considered for professional fees e.g. investigative works, project management, strategy development etc.**
- **GCRB will create a streamlined set of objectives that will be used to evaluate proposals.**
- **10% of the amount available (i.e. £228,800) will be retained as a contingency to respond to an emerging need. Any unspent amount will be released to fund additional lifecycle maintenance in February 2018 (based upon the target level of credit activity for 2017-18).**

[GCRB Capital Funding Policy]

10. Management of Funds

These capital projects represent significant sums of money, which the Regional Body is accountable for. As such, the Regional Body requires assurance that the funds are being applied in accordance with the Financial Memorandum and best practice. The following matters identify the issues to be considered in terms of the management of capital funds:

Progress Monitoring

The basic premise is that colleges will do this as a matter of course by implementing their own systems of internal control. The Regional Board is able to place a high degree of reliance upon the existing college systems. Perhaps the way this relationship can be seen is that the Regional Board is an interested stakeholder in each project. In order to gain the level of assurance, it is recommended that the college maintain a flow of relevant project information to the Regional Board, e.g. project plans, progress tracking reports, cost analysis etc. Again the emphasis is on a light-touch approach, with no additional burden above what the College would be doing anyway.

Notification of Changes

In addition to the progress information identified above, the Regional Board would also expect to be notified of a material change to the project e.g. a material delay. It would help the Regional Board to be informed of material changes as/when they occur rather than being advised at a later date in a progress report.

Under/Overspends

The maximum level of grant has been set once the Regional Board has been agreed for a project. If the actual expenditure is greater than the level of capital grant then the college would need to meet the shortfall. It may be possible for the Regional Board to provide additional funds to meet this shortfall but this will be subject to an application for additional funds being considered.

It is also possible that the actual cost of a project is less than the agreed capital grant. In this instance, the college would only draw down the grant required to meet the expenditure on this specific project. Any underspend would then be available to meet other priorities.

If a college has two projects, one of which is overspent and one of which is underspent, then approval should be sought from the Regional Board before any budget is transferred.

Progress Payments

In accordance with the Financial Memorandum, capital grant will be paid to meet actual expenditure. The provision of monitoring information and cash flow returns to the Regional Board will enable the grant and expenditure to be matched.

Reimbursements

It is possible that a college may receive income relating to capital expenditure. For example, there may be a claim for damages against a previous contractor or there may be an insurance claim pending. It is possible that capital expenditure may be incurred at a time when the potential income is uncertain. If the College does subsequently receive such income, regarding a capital project, it is expected to advise the Regional Board in order that this may be considered.

Sale of Assets

Similarly, if a College receives income relating to the disposal of assets it would be appropriate that this is advised to the Regional Board. This is particularly relevant when the disposal relates to a project funded via a capital grant.

It would also be appropriate that a college discusses a potential (material) disposal with the Regional Board. There may well be benefits in ensuring any such disposal is supported by both the College and the Regional Board.

Arm's Length Foundations

It is recognised that the colleges may also be in receipt of capital funds from Arm's Length Foundations. It would be helpful if the Regional Board were informed of a college's capital expenditure plans that are funded from such sources. In particular, the college is required to ensure that the different project costs, and sources of income, are separately accounted for.

For 2017-18, the Regional Board will adopt the following approach to the management of capital funds:

- **Colleges will provide copies of project management information to inform the Regional Board of progress in respect of capital projects.**
- **Colleges will inform the (GCRB) Interim Director of Finance of any material changes to a capital project. Any changes to a project will be considered and reported to the Performance and Resources Committee for approval.**
- **Payments will be made to the Colleges in line with actual expenditure incurred.**
- **Colleges will inform the Regional Board of any (capital) proceeds e.g. from the sale of assets or insurance claims. Income from such sources can then be reviewed in order that funds are allocated fairly.**
- **Colleges will inform the Regional Board of any capital funding receipts from an Arm's Length Foundation in order that the Regional Board understands the investment plans of each college.**

[GCRB Capital Funding Policy]

11. Monitoring Policy Evaluation

The Capital Funding Policy, once agreed, will be used for 2017-18. It is important that progress is monitored during the year and also that the effectiveness of this policy is evaluated.

For 2017-18, the following arrangements will be put in place:

- **Progress reports on the implementation of this policy will be reported to each meeting of the Performance and Resources Committee.**
- **The effectiveness of this policy will be reviewed in April 2018, the results of which will inform the Regional Board's approach to future capital funding. The review, and Capital Funding Policy for 2018-19, will be presented to this Committee in May 2018.**

[GCRB Capital Funding Policy]

**J Godfrey
24 April 2017**

Appendix A

GCRB Approved Projects - Supplementary Capital Funding 2016-17

Project Description	Project costs £
Cardonald tower block refurbishment of toilet facilities	600,000
Kelvin west campus roof/damaged window repair/replacement	360,000
Easterhouse roof repair	350,000
Cardonald campus roof replacement	200,000
Cardonald business centre refurbishment	150,000
Langside Mary Stuart building - refurbishment of toilet facilities	130,000
Springburn wall ties replacement	65,000
Springburn blockwork improvements	55,000
Easterhouse access ramp repair	45,000
Easterhouse subsidence investigation	80,000
Easterhouse drainage improvement	25,000
Project Management	122,345
Total	2,182,345

Appendix B

Capital Grant Allocation to Institution/Region for 2017-18

Institution/Region	Final core credit targets 2016-17	% share of volume target	2017-18 Indicative capital grant based on share of volume target £
Ayrshire College	124,252	7.4%	1,541,880
Borders College	24,521	1.5%	304,288
Dumfries and Galloway College	30,067	1.8%	373,114
Dundee and Angus College	103,232	6.1%	1,281,037
Edinburgh College	184,028	10.9%	2,283,659
Fife College	129,760	7.7%	1,610,231
Forth Valley College	83,984	5.0%	1,042,183
Glasgow Region	368,574	21.8%	4,573,746
Highlands & Islands Region	110,967	6.6%	1,377,023
Lanarkshire Region	170,967	10.1%	2,121,581
Newbattle Abbey College ¹			0
North East Scotland College	134,118	7.9%	1,664,311
Sabhal Mòr Ostaig ¹			0
SRUC	22,867	1.4%	283,763
West College Scotland	159,025	9.4%	1,973,389
West Lothian College ²	42,527	2.5%	369,795
Scotland	1,688,889		20,800,000