

**THE
FURTHER
EDUCATION
FUNDING
COUNCIL**

Accommodation Strategies

Guidance for colleges

**Supplement to
Circular 97/19**

GUIDANCE ON ACCOMMODATION STRATEGIES

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- explains the purpose of and approach to the accommodation strategy
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Section 3: Description and Evaluation of Existing Sites and Buildings

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- explains how colleges could describe the functional suitability and physical condition of their buildings
- explains how colleges should calculate running costs. Refer to this section when completing the standard form at annex C
- gives advice on maintenance policy and the planned maintenance programme (PMP)
- explains how to calculate space and room utilisation. Refer to this section when completing the standard form at annex D. Annex E contains a form for colleges to use when carrying out a room utilisation survey, and annex F shows how the survey data can be presented
- gives guidance on obtaining valuations of college sites and buildings.

Section 4: Statement of Opportunities and Constraints Affecting the Strategic Plan

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Section 5: Option Generation, Appraisal and Evaluation

- discusses the preparation of college-wide options
- gives guidance on option appraisal and evaluation, and links to the option appraisal model contained on the disk accompanying this supplement. Annex H contains a sample printout from the disk for illustration purposes.

ANNEXES

Annex A Case Studies

Five case studies of a variety of colleges to help guide preparation of the accommodation strategy.

Annex B Average Running Costs for Different Types of College

Refer to this when assessing running costs during the preparation of the accommodation strategy.

Annex C Sites and Buildings Summary Form and Premises Costs

Complete this form and return it as an appendix with the accommodation strategy.

Annex D Teaching and Learning Rooms Workplace Capacity

Complete this form and return it as an appendix with the accommodation strategy.

Annex E Room Utilisation Survey Form

Use this form when carrying out room utilisation surveys. Do not return this form to the Council.

Annex F Example of how Room Utilisation Survey Data can be Presented

Use this as a basis for presenting data in the strategy and for drawing conclusions to be taken into account in the college-wide options.

Annex G Definitions

Definitions of open market value and estimated realisation price.

Annex H Accommodation Strategy Option Appraisal

Sample printout from the disk accompanying this supplement. Enclose completed hardcopies of such printouts, with explanatory notes, as financial

appraisals of each college-wide option in the accommodation strategy.

Annex I Lifecycle Costing of Buildings

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Annex J Indicative Gross Budget Costs (Newbuild)

Gross costs of new buildings per m². For use when costing options which involve the construction of new buildings.

Annex K Checklist

Use this list to check that the accommodation strategy document is complete.

Please fill in and attach the cover sheet in the annex to the circular accompanying this supplement to the accommodation strategy document.

SECTION 1: INTRODUCTION

Background

1 The preparation of an accommodation strategy is an essential part of a college's strategic planning process. The completed strategy should demonstrate that the college will be able to provide accommodation appropriate to its strategic plan. The accommodation strategy now assumes even greater importance than before in view of the financial constraints within which colleges are operating. Each college is facing financial pressures whilst seeking to maintain and improve educational facilities. These constraints mean that colleges should maximise the use of existing resources and achieve value for money in any capital proposals which might result from their strategies.

2 Each college, when preparing its accommodation strategy, should assume:

- a continuing need for efficiency gains as a result of financial constraints
- the Council's current financial planning assumptions
- the continuation of Council financial support for capital projects under Circular 95/25 and Circular 96/11.

Purpose and Approach

3 The accommodation strategy should be based on a fundamental review of a college's estate and provide a plan for its management and development. The strategy should provide a clear direction for a period of at least three years in advance. It should be reasonably robust in the face of change and result from a planning process which is rational and comprehensive.

4 Although the precise structure of a strategy can vary according to the particular circumstances of each college, each should progress from a broad strategic overview in the earlier stages to greater precision and detail in the later stages. This should help ensure that the document as a whole begins at an appropriately broad level of analysis and justifies any specific projects indicated later. It is only when a rational strategic framework is in place that colleges can be confident that any capital schemes outlined in the strategy will provide optimum solutions to the problems the accommodation strategy might address.

5 The accommodation strategy should not normally include full details and costings of specific capital projects. Indicative costs, with reference to annex J for newbuild, will be adequate. Fully detailed capital project proposals should only be worked up after the accommodation strategy has been completed and adopted by the college.

6 The first stage of an accommodation strategy would be to state the perceived constraints and opportunities for implementing the college's strategic plan in accommodation terms. This is best carried out by the college itself, perhaps with the help of an outside facilitator.

7 The evolution of a strategy could be regarded as akin to a scientific method where a range of well-informed hypotheses or policy aims, based on information gathered by the college since incorporation, are tested empirically. This contrasts with a narrower approach where an intuitively preferred solution to apparent problems is decided too early in the process and is not rigorously tested.

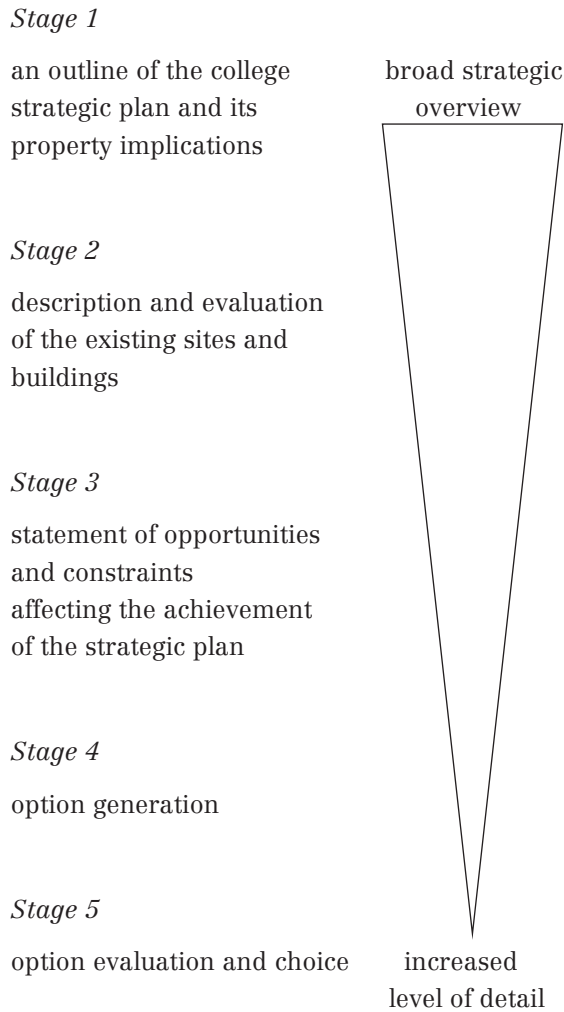
8 Policy aims could be, for example, that some buildings are no longer appropriate for teaching and learning and need to be replaced or modified; that existing buildings cannot be more efficiently used and additional floorspace is needed; that there is surplus accommodation, the amount of which needs to be quantified and arrangements made to shed it; that the college wishes to establish educational provision in a new location and a building should be rented, or constructed and owned by the college for this purpose; that financial considerations dictate that running costs must be reduced.

9 The second stage of a strategy could test these ideas by a thorough analysis of the existing estate as described in section 3 of this supplement. From this should result a clear and rigorously justified set of opportunities and constraints which either bear out the hypotheses or policy aims which originated in the strategic plan, or which challenge some or all of them and perhaps highlight some not previously considered to exist or to be important.

10 The next stage would develop broad, college-wide options which address (to varying degrees, timescales and costs) the opportunities and constraints identified and proven to exist in the earlier parts of the document.

11 A possible approach to structuring an accommodation strategy is shown in figure 1.

Figure 1. Structuring an accommodation strategy



12 A number of previous college strategies have lacked a broad strategic consideration of all relevant issues and potential solutions. This has been most common where either newbuild, or the immediate purchase of a building close to an existing college site, is perceived to be the only solution to a college's accommodation needs. There is a danger that a 'strategy' then becomes no more than a justification for a particular solution. These circumstances often arise when a college allows insufficient time to complete its accommodation strategy before proceeding to specific project proposals. This can result in substantial abortive costs in terms of a college's management time and consultancy fees should the project not proceed.

13 Sections 2 to 5 of this supplement discuss each of the stages in the production of an accommodation strategy as suggested in figure 1. A college which has recently completed a new accommodation strategy is recommended to discuss with the Council's property adviser the extent to which the

existing accommodation strategy might be refined or developed.

14 The Council wishes to emphasise that it does not want colleges to feel constrained by the approach suggested here. The Council's property advisers will be pleased to discuss individual college circumstances and the extent to which this guidance could be used to provide an expanded, or a more appropriately tailored strategy which properly addresses college needs.

SECTION 2: PROPERTY IMPLICATIONS OF THE COLLEGE STRATEGIC PLAN

15 By the time of completion of the accommodation strategy in November 1997 colleges will have completed their strategic plans for 1997-98 to 1999-2000. It would be helpful if the accommodation strategy document began with a summary of the strategic plan and a statement of the college's financial position showing the implications for the college's property holdings.

16 A number of previous accommodation strategies have emphasised the importance of this scene-setting stage which lays out the themes followed in the remainder of the document. It is not always obvious what the college's broad property intentions are from a reading of the strategic plan itself. This early section therefore offers the opportunity for the college to provide clarification and state the hypotheses, perceived opportunities and constraints that it wishes to test or investigate in later stages of the accommodation strategy.

17 In Circular 96/34, colleges were asked to pay particular attention to the links between elements of their strategic plan, in particular the effects of planned curriculum changes, on accommodation requirements. Each college is asked to provide an appropriate narrative in the introductory section of the accommodation strategy, rather than supply extracts from the strategic plan. This narrative should set out the college's key objectives. Some areas which might be discussed are:

- planned changes in teaching and learning methods — whether the college wishes to develop more resource-based learning. The adequacy of facilities for such learning at present
- curriculum structures — the current range of course provision, the extent to which this is to change, the impact of

information technology on curriculum structures

- planned student numbers — whether the college’s current accommodation is felt to be adequate to accommodate possible growth in numbers. Alternatively, whether some current accommodation is felt to be surplus to requirements
- types of current accommodation — whether the amount or quality of any general teaching, specialised teaching, learning, non-teaching or balance areas should change
- off-site collaborative provision — the extent of and possible changes in off-site collaborative provision and outreach work and the current and potential effects on accommodation requirements
- college location(s) and markets — whether the current college estate caters for the anticipated changes in existing markets or the opportunities presented by emerging markets
- whether the college is in a vulnerable financial position and should seek to avoid risk and reduce costs by rationalisation of the college estate, or whether the college has robust finances and is in a position to examine options for expansion
- implications of the *Disability Discrimination Act 1995*:
 - improvements the college considers are needed for disabled staff and disabled members of the community for whom the college provides support services
 - outcomes of the college’s needs analysis and related plans for students with learning difficulties and/or disabilities and the implications for college buildings. This may be linked to any analysis of current provision arising from disability statements which require a description of physical access within the college.

SECTION 3: DESCRIPTION AND EVALUATION OF EXISTING SITES AND BUILDINGS

Factors Affecting the Development Potential of Sites

18 Colleges should first consider whether there are legal or other constraints which affect their ability to develop existing sites. This is particularly important in the case of colleges wishing to test a hypothesis in which additional buildings are needed.

19 For example, there may be legal or access constraints in the form of restrictive covenants and public rights of way. It may be worth analysing the relevant local authority’s development plan for the areas in which sites are located. This should show useful information on the types and densities of development which the local planning authority considers appropriate. The local planning authority may also have car parking standards which may be relevant.

20 Location and site plans should form part of the accommodation strategy showing the relative location of each college site and the position of buildings on each site.

21 In the case of buildings rented by a college, the main terms of the leases should be documented in the strategy.

Functional Suitability and Physical Condition of Buildings

22 The first section of the strategy will have identified the key areas of concern to college management. This section should demonstrate a thorough testing of those areas by describing the sites and buildings in terms of both functional suitability and condition or state of repair.

Functional suitability

23 The assessment of functional suitability should first be undertaken by the college’s in-house staff, probably the estate manager and team or, in the case of some smaller colleges, the member of the management team responsible for property matters.

24 Irrespective of the present state of repair, the inherent suitability for the function of each building and site could be assessed against the following rating scale in the context of the strategic plan:

- a. **Very good** — a building or site very well suited to its purpose;

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- b. **Good** — considered to be suitable for its purpose despite minor weaknesses having regard to such matters as aptness, flexibility and convenience of use, security of tenure, convenience of access, disabled access, economy of running and maintenance and location;
- c. **Satisfactory** — less than ideal but any disadvantages are judged to be either not serious enough to create real problems or are capable of being remedied using recurrent resources;
- d. **Unsatisfactory** — the disadvantages are an obstacle to efficient performance in the longer term and the costs of rectification are unlikely to offer value for money;
- e. **Unacceptable** — the disadvantages are such that use is possible only at excessive cost or with extreme difficulty or is limited in time.

25 The rating of a site as a whole may differ from that of an individual building on the site. A short explanation of such differences in ratings should be given.

26 Colleges may wish to use their own rating of sites and buildings which might, for example, consist of fewer descriptive indicators than shown above or numbered gradings. In these circumstances definitions of the ratings used should be given.

Physical condition

27 The condition of each building and the estimated cost of bringing it up to a serviceable condition should be assessed. These assessments should include a description and costing of proposed improvements in access for disabled staff and students. External professional advice may be appropriate to assist a college in carrying out an assessment of the physical condition of its sites and buildings and the costs of improving them to a reasonable standard. Every college should now have a planned maintenance programme (PMP) which identifies maintenance costs over a 10-year period. If no suitable in-house expertise is available, external professional advice will be necessary to help derive a PMP or to update it.

28 Guidance on planned maintenance can be found in chapter 5 of the Council's *Estate Management in Further Education Colleges: A Good Practice Guide* (HMSO, 1996).

29 Planned maintenance costs should be classified and prioritised into the cost of any remaining works under the Hunter survey and of addressing other health and safety problems, other repair costs and the costs of regular maintenance.

30 Running costs other than maintenance, namely energy, rates, rents if applicable and the cost of site supervisors, security staff, cleaners and so on should be included and the running and maintenance costs of individual buildings compared with those of all college buildings. Colleges are requested to use the standard form at annex C and accompanying notes to record premises costs and to identify areas of potential saving or perhaps areas where works to improve energy efficiency are needed.

31 All colleges should have a maintenance policy which could be included in the accommodation strategy with the PMP. The maintenance policy should cover:

- anticipated future requirements for buildings such as possible refurbishments, any proposed change of use and the anticipated timing of demolitions or disposals where appropriate
- statutory or other legal obligations affecting maintenance requirements
- cyclical maintenance work
- the standard of maintenance to be achieved generally and, where appropriate, on specific buildings.

32 Annex B shows average premises running costs for the various types of sector college extracted from information provided by colleges in their financial forecasts. These are energy, maintenance and caretaking costs. Reference can also be made to the Council's *Estate Management in Further Education Colleges: A Good Practice Guide*. Maintenance costs (excluding energy and caretaking costs) in the sample of colleges included in the survey which resulted in the guide ranged from £5 to £9 per m² a year.

33 The PMP should be reviewed annually to ensure that up-to-date costs are included. It may also be necessary to revise the PMP fundamentally in the light of the preferred college-wide option adopted in the accommodation strategy. For example, a college might expect a lower growth in student numbers than that which was forecast before the current PMP was adopted. This might lead to an option which includes shedding one or

more sites and buildings which in turn causes a reduction in the planned maintenance provision for those sites and buildings.

Space utilisation

34 Colleges are encouraged to use their accommodation as intensively as possible. More efficient use of accommodation can result in substantial running cost savings and cash receipts from the sale of buildings surplus to college requirements. Reduced running costs can release funds for developing the curriculum and other purposes. Such savings can help finance capital works designed to improve the quality of a college's remaining buildings. The case studies in annex A demonstrate how some colleges have both improved utilisation and their financial position in this way.

35 Where appropriate, the Council wishes to encourage the use of college accommodation for activities which generate income such as that from hire charges or proceeds from retail outlets. However, an accommodation strategy purporting to show that a college is making intensive use of its buildings should also show that reasonable proportions of overall floorspace are being used for teaching and learning. This is particularly important before considering whether additional floorspace is needed. Reference should be made to *Design Note 50* published by the Department of Education in 1994. This states emerging ratios of types of floorspace in modern colleges with 60 per cent of overall floorspace being devoted to teaching and learning.

36 The Council's *Guidance on Estate Management* indicated three methods of assessing the capacity of buildings and of measuring space utilisation. These methods are discussed below in the light of the changes in teaching and learning which have occurred in recent years, and of their implications for the methods.

Method A of *Design Note 37*

37 *Design Note 37* was published by the Department of Education and Science in 1984. Method A was designed to be applied to whole sites, whether the only site of a single-site college or individual sites of multi-site colleges. It was not intended to be used for individual buildings on sites with more than one building, or for parts of buildings. The method was simple, consisting of dividing the gross internal floor area of a college by one of three area guidelines, depending on the main

educational activity of the college. The result was a notional capacity, in terms of space full-time equivalent students (SFTEs).

38 The Council considers that Method A is now inapplicable. The calculation of numbers of SFTEs has become more artificial as the number of modes of attendance in modern colleges has grown. It is no longer possible to define and calculate modes such as 'sandwich', 'part time', 'block release' and 'short course' in such a way as to be able to use them for Method A.

39 Significant changes in teaching and learning have occurred since the publication of *Design Note 37*, notably the increase in resource-based learning. Thus, student:staff contact time has decreased from the levels assumed in *Design Note 37*. This implies that colleges with up-to-date curriculum delivery methods will need less space than might be indicated by Method A. Room utilisation surveys (discussed in paragraphs 41 to 49) carried out since incorporation have shown that building utilisation levels may in fact be low, whereas a Method A analysis indicates apparent under-capacity.

Method B of *Design Note 37*

40 Method B of *Design Note 37* is still considered relevant as it concentrates on calculating college capacity in terms of numbers of workplaces/seats. Before they put forward proposals in their accommodation strategies to add accommodation or to remodel buildings, the Council will expect colleges to demonstrate that a reasonable number of workplaces has already been provided. Colleges are requested to use the standard form at annex D and accompanying notes to show the notional capacity of buildings, based on the *Design Note 37* workplace area standards, and the assessed capacity of buildings, based on a visual assessment.

Room Utilisation Surveys

41 Detailed guidance on how to carry out room utilisation surveys is contained in annex E.

42 Room utilisation surveys consist of counting the occupants of teaching and learning spaces or rooms in order to ascertain how well the space is being used. Those colleges which have carried out such surveys have invariably found them to be a useful management tool. Disparities between the scheduled and actual use of rooms during a typical week of the college year can be significant. Such findings enable college managers to question

existing practice and often to prove that better room utilisation is both necessary and achievable in advance of any remodelling or newbuild capital works.

43 Room utilisation surveys are essential to most accommodation strategies. They are also a prerequisite for Council financial support for most college capital developments, especially those involving additional floorspace.

44 Colleges should satisfy themselves as to whether buildings could be used more efficiently by carrying out such surveys at least once a year. Before outlining a capital project proposal for teaching and/or learning accommodation within its chosen option, a college should normally undertake the following sequence of events:

- a. analyse the results of room utilisation surveys and assess whether improved timetabling or scheduling could improve the match of room sizes to group sizes;
- b. consider whether buildings need to be remodelled to provide room sizes better matched to group sizes;
- c. consider whether new buildings or extensions to existing buildings are needed.

45 Room utilisation surveys of all college buildings may not always be immediately necessary. For example, a college might clearly have a substantial surplus of buildings. It could put forward an option which sets out to achieve a reasonable reduction in the size of its estate over a reasonable period before room utilisation surveys of all sites become necessary.

46 Colleges may wish to discuss, at an early stage, the precise parameters of such surveys with the Council's property adviser. This should result in agreement about the timing of the surveys, which sites and buildings should be included and whether periods outside the 40-hour week of 9.00 to 17.00, Monday to Friday, might be covered.

47 The Council recognises the diversity of college buildings and that some may be difficult or costly to remodel. However, it is reasonable to expect all colleges to achieve a high room frequency factor for all teaching and learning spaces. In other words, such spaces should only be unused for a very small percentage of the total available daytime hours. Measures to improve the seat occupancy factor can then be investigated.

48 High frequency and occupancy factors can usually only be achieved if timetabling is centralised at each site. Computerisation and the use of specialist software can also result in improvements.

49 Colleges are encouraged to enter into dialogue with the Council's property advisers who will be pleased to share their knowledge of space utilisation. For example, a college may wish to discuss the implications of its own room utilisation surveys and possible planned changes in guided learning hours before producing college-wide options in the accommodation strategy.

Valuations of College Premises

50 Valuations of college premises help to derive the 'opportunity cost' of resources which, in turn, help generate options discussed more fully in section 5 of this supplement. The appendix to section 6 of *Guidance on Estate Management* discusses opportunity costs more fully.

51 When a college is considering an option in its strategy which includes reducing the number of its sites or buildings it is important to obtain valuations. Valuations ensure that land and buildings surplus to requirements are marketed at the right asking price and can also help a college to anticipate the likely receipts and their timing. This in turn helps in planning the phasing of options in an accommodation strategy discussed more fully in section 5 of this supplement.

52 For the purpose of an accommodation strategy in which rationalisation (reduced sites or buildings) is being considered, the college will wish to know the value of any potential sale receipt. A college would usually only commission a valuation of a site or building which has sale potential. This might be, for example, a parcel of undeveloped land surplus to requirements or a site with one or more buildings on it which could be sold for uses other than educational use and for which there may be market demand.

53 A college could commission valuations of a number of sites or buildings. For example, a multi-site college may have carried out room utilisation surveys which show low utilisation at more than one site. The college may wish to dispose of one or more sites. Variations in the likely sale proceeds from each site shown by valuation may help the college decide which site(s) to sell.

54 The Council recommends that colleges engage professional valuation surveyors to produce valuations according to the *Appraisal and Valuation Manual* of the Royal Institution of Chartered Surveyors (RICS). Valuation surveyors should be experienced members of RICS or the Incorporated Society of Valuers and Auctioneers (ISVA).

55 The valuer will discuss and agree the purpose of valuation with a college before carrying out the valuation. For the purpose of an accommodation strategy the two bases of valuation likely to be most applicable are 'Open Market Value' and 'Estimated Realisation Price' (ERP). Definitions of these are given in annex G.

56 In an open market valuation the valuer assumes that the marketing period, necessary to achieve a sale of the property, has taken place before the valuation and, in the case of ERP, from the date of the valuation.

57 When producing an ERP the valuer is required to consider how long, starting with the valuation date, would be reasonably necessary to market the property properly to achieve the best price. The valuer then has to specify an assumption of the date of completion of the sale which accommodates the marketing period considered necessary. It follows that such a valuation could help a college plan the likely amount and timing of sale proceeds and to allow sufficient time to market the property in question.

58 'Open Market Rental Value' can be considered. Colleges with surplus capacity could consider letting buildings or parts of buildings. Colleges which need additional accommodation will also require appropriate professional advice on market rents for buildings in the relevant locality.

SECTION 4: STATEMENT OF OPPORTUNITIES AND CONSTRAINTS AFFECTING THE STRATEGIC PLAN

59 Upon completion of stages 1 and 2 of the strategy, the college should be able to demonstrate that the perceived opportunities and constraints identified in the strategic plan are justifiable and quantifiable. Stage 2 may have suggested matters not previously considered. These could include, for example, a building found to be in very poor structural condition following a recent structural survey, or some surplus capacity found by a room utilisation survey carried out since the last strategic plan was produced.

60 The previous sections of the strategy will have tested the assumptions implied or stated in the strategic plan by a comprehensive analysis of existing sites and buildings. This should result in a list of opportunities and constraints, most of which will be quantified, which will provide a basis for generating options designed to address these issues.

61 Constraints or problems can sometimes be seen as opportunities. Examples, based on actual college experiences, are described in paragraphs 62 to 68.

Surplus Land or Buildings

62 These may indicate a problem of excess running costs. Valuations could show the opportunity for realisation of potential sale proceeds, reduced running costs following sale and, possibly, the opportunity to finance improved facilities elsewhere, partly or wholly financed by sale proceeds and running cost savings.

63 Professional valuation advice might indicate that the whole or part of a building in college ownership might be suitable for commercial letting to third parties.

Sites and Buildings in Poor Condition or Unsuitable

64 There may be potential to sell the site or building to a developer subject to replacement teaching and learning facilities being provided elsewhere. A suitable developer may be prepared to purchase an existing site subject to planning permission for non-educational use at their own risk under an option agreement or conditional contract to purchase. The same developer might also construct the college's replacement facility elsewhere at a fixed cost with the cost deducted from the college's sale proceeds.

Poor-quality Refectory, Catering or other Facilities

65 The opportunity to install new facilities part financed by private sector contributions in exchange for a share of future income could be considered.

66 The possibility of contracting out other estate-related services could be considered at the same time.

Vacant Space Needed for Expansion

67 A college which has fully demonstrated a need for additional accommodation could investigate collaborative ventures with a nearby college with some surplus space. Alternatively there may be vacant buildings or parts of buildings available nearby for rent or purchase.

Funding and Financing

68 Changes in the Council's variable rate of funding might oblige a college to adopt an approach which is more cautious than in its previous strategy. This might result in a more efficient use of existing accommodation and reduced capital financing and funding requirements.

SECTION 5: OPTION GENERATION, APPRAISAL AND EVALUATION

Introduction

69 This stage of a strategy can be the most challenging. It should provide college-wide options synthesised from the range of opportunities and constraints identified earlier. Given that options should demonstrate how the strategic plan for the college can be implemented, the chosen option should be reasonably consistent with the strategic plan and the college's financial forecast.

70 The nature of the college's current estate will help to determine the overall approach to generating options. For example, a college-wide approach to a large multi-site college would differ from the approach adopted by a relatively small single-site college. The case studies in annex A illustrate this.

71 A college may find it beneficial to enter into discussion with the Council's property adviser before drawing up options. The property adviser will be pleased to share the experience of other colleges' approaches to option generation. This should help the college to derive appropriate options and engage appropriate professional advice if necessary.

Range of Options

72 A minimum of three real options, including a base case, is appropriate. A base case is sometimes misleadingly referred to as a *status quo* or 'do nothing' option. The base case is an option in which the college explores the implications of continuing with little or no change other than minimal changes already planned. A base case could therefore

include the continuation of expenditure already earmarked for maintenance and repair of existing buildings and the demolition of some existing buildings.

73 Options should differ from one another in kind and not merely in terms of financing. A strategy having several options all of which contain the same schemes, albeit with differing proposed sources of finance for those schemes, would not be appropriate.

74 For some colleges the base case option can prove to be the optimum option. But this can only be determined following a thorough evaluation of all realistic options. In some previous college strategies the realism of certain options has been open to question. For example, a college may feel that the apparent absence of suitable buildings for rent justifies an option containing substantial capital development on college land. In these circumstances the college should properly investigate the potential availability and cost of rented premises using local professional property advice.

75 Options which may be regarded as radical should be considered and evaluated provided they are feasible. For example, a single-site college may wish to test fully a hypothesis that all of its buildings should be rebuilt or an alternative site found. Alternatively a multi-site college may wish to consider rebuilding one or more of its sites. In such cases a 'lifecycle costing' approach is often necessary. Further guidance on this technique including some straightforward examples of it can be found in annex I.

76 It is essential for colleges first to think through the implications of the base case, and then the implications of the other options before completing financial appraisals of each option. This can take the form of scenario writing during which college managers meet, discuss and write down the likely outcomes of each option, not only in terms of income and expenditure, but also in more practical terms. For example, the timing of possible transfers of students and courses between buildings subject to refurbishment or sale should be considered. This process should not only ensure that options are realistic but also that inputting data into a financial model becomes more straightforward.

Approaches to Option Appraisal

77 The Council has developed an appraisal model on disk which is enclosed with this guidance. The model assists in the calculation of a net present value for each option. Colleges should refer to *Economic Appraisal in Central Government: A Technical Guide for Government Departments* (HMSO, 1991) for further guidance on economic appraisal.

78 The model does have limitations. It does not identify explicitly the effect on the college's income and expenditure account. Given the time horizon of 20 years over which the options are evaluated, colleges may consider that costs only might be included and options evaluated with a view to the option showing the lowest net present cost being preferred. Much depends on individual college circumstances and colleges are recommended to discuss these matters initially with the relevant Council property adviser and their own professional advisers.

Examples of Option Generation

79 Examples of college-wide options by a number of single- and multi-site colleges are shown in annex A. The following common themes arise from the examples of multi-site colleges in particular:

- a. the options are affordable, given reasonable assumptions made about Council recurrent and capital funding and funding from other sources;
- b. the preferred option demonstrates consistency with each college's financial forecast;
- c. appropriate financial appraisal of options took place, supplemented by more qualitative evaluation;
- d. for each college the chosen option envisages substantial future running cost savings to be used to finance the improvement, to a reasonable standard, of the sites which will remain after others are vacated or sold;
- e. options show realistic costs, based on likely costs applicable in the local property market;
- f. opportunities to achieve the colleges' aims have been properly taken into account in the chosen option.

80 Annex J gives indicative gross budget costs (including external works, equipment, fees and VAT but excluding land acquisition costs) for various

types of newbuild schemes in colleges. They have been derived from proposals for Council financial support under Circular 95/25 and Circular 96/11 and from other proposals. The costs shown are appropriate for cost planning at a broad accommodation strategy level of detail.

81 Refurbishment and remodelling costs vary considerably. However, if a comprehensive refurbishment of a building is necessary, then a maximum gross budget cost of £450 per m² may be assumed for the purpose of determining options for the accommodation strategy.

Demonstrating the Realism and Feasibility of Options

82 All college-wide options should be realistic in terms of timescales and funding. The following factors should be taken into account when drawing up options:

- a. **College reorganisation** — a strategy is a plan not only for the development of a college estate but also its management. Time may need to be allowed for recruiting additional staff, or changing the present organisational structure to some extent. This should help the college become a more 'informed customer', better able to manage the estate itself and monitor the work of its professional advisers.
Reorganisation could begin with improved timetabling, which might require a period of time in order to persuade staff of its merits. The strategy might propose this, perhaps followed by one or more capital schemes. This could mean that improved timetabling is introduced for example in April or September 1998 with a consequent effect on the timing of capital schemes which follow;
- b. **Funding sources** — colleges should consider and allow for the time required to prepare applications for support from sources such as the European Regional Development Fund, the Single Regeneration Budget and National Lottery funds. The likelihood of success will determine the funding assumptions for the chosen option;
- c. **Council timescales** — the Council's target time for making a decision on college requests for consent under the terms of the model financial memorandum is within 30 working days, that is, 30 working days subject to receipt of all information necessary for a decision. Some

time will invariably be required for dialogue between the college and the Council's professional staff before all information is assembled;

- d. **Effect of the chosen option on the college financial forecast** — the accommodation strategy might result in changes to the existing financial forecast such that a new forecast is necessary. Colleges should discuss this with the Council's regional accountant;
- e. **Testing public-private partnership schemes** — colleges should refer to paragraph 20 of the supplement to Circular 96/11 for guidance on this. Sufficient time should be allowed for the appointment of appropriate professional advisers and reference should be made to guidance issued by the previous government's private finance panel. Time should also be allowed for advertising in the *Official Journal of the European Communities*, shortlisting private sector partners and appointing one or more partners;
- f. **Detailed design of a scheme within the chosen option** — reference should be made to chapter 4 of *Estate Management in Further Education Colleges: A Good Practice Guide*. Detailed scheme design should only take place after the accommodation strategy has been completed and adopted by the college. The strategy should demonstrate that sufficient time will be allowed to appoint a professional team, obtain planning permission and/or building regulations approval, design and tender the works and for the construction period.

Option Evaluation

83 Reference has been made to the financial evaluation of options which is best carried out using a spreadsheet such as that shown at annex H. This approach has the benefit of making the timing of expenditure and income flows explicit. This in turn demonstrates that the timescales assumed are realistic and take into account the 'lead times' required for detailed capital project planning and construction after the accommodation strategy has been completed.

84 Financial appraisal can also be accompanied by an evaluation of the relative merits of each option on grounds other than cost. This becomes more important where the net present costs or values of each option are close. In such circumstances the financial issues may not be paramount providing each option that could be chosen is feasible and affordable.

85 A more qualitative evaluation can be demonstrated in a strategy by discussion of the factors considered relevant by the college. These could include:

- a. **College ethos and image** — the extent to which each option either strengthens or undermines the overall impression of the college to current and potential staff and students;
- b. **Curriculum enrichment** — how far each option promotes the quality of student experience other than in terms of qualifications;
- c. **Working conditions** — a consideration of how each option varies in terms of improving day-to-day working conditions for staff and students;
- d. **Disruption** — whether there would be more or less disruption to college activity during the implementation of each option and whether this might affect morale, recruitment and retention of staff and students.

Published by the
Further Education Funding Council
May 1997