



MANAGEMENT OF THE FURTHER EDUCATION ESTATE IN WALES

Report by the National Audit Office Wales on behalf of the Auditor General for Wales



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EXECUTIVE SUMMARY

- 1 The 26 further education institutions in Wales own and occupy land and buildings of about 600,000 square metres, with a total value of about £250 million. Accommodation across the sector comprises modern new buildings, 1950s/60s flat roof structures and pre-war/Victorian buildings. In 2000-01 academic year, institutions spent £29.9 million (£18.5 million of revenue, excluding salary costs, and £11.4 million in capital) on their estates. Property is an expensive commodity; securing value for money from the use of this asset is therefore particularly important.
- 2 The responsibilities of the Further Education Funding Council for Wales, which provided funding for further education institutions, were merged into the National Council for Education and Training for Wales (the Council) in April 2001. Through the Learning and Skills Act 2000, the Council was given a far broader remit that includes, in addition to further education, the funding of private training providers, school sixth forms and providers of adult and continuing education. The Council plans and oversees its investment in these sectors as a single network, in line with a single Corporate Strategy and Corporate Plan for all post-16 education and training (except higher education) in Wales. From 2003, this network of providers will be supported through the progressive introduction of a new single National Planning and Funding System, proposals for which have been submitted to the Minister for approval.

Key findings

- 3 The quality of the estate in further education institutions is variable. While 70 per cent of the overall estate is sound or better, this means that the condition of nearly one third is poor and requires major repair or replacement. In terms of its functional suitability, just over 40 per cent of the estate is, in the institutions' views, unsuitable for its current function. The potential adverse effects of defective estate includes:
 - directly hindering the delivery of teaching;
 - contributing to lower morale on the part of both students and staff;
 - wasting scarce resources (through, for example, requiring high levels of maintenance); and
 - deterring potential students from signing up for courses in the first place.
- 4 In many cases the root of the problem lies in the condition and age of the estate inherited in April 1993, when further education institutions moved from local authority control to become independent corporate bodies run by their board of governors. The Council strongly believes that the estate is now in a better overall condition than it was at that date, with many of the worst buildings disposed of or improved. However, it acknowledges that there remain many problems. A key issue is that some buildings are nearing the end of their life span and are unable to offer the flexibility and efficiency required by modern teaching.
- 5 The quality of estates management across the sector could be improved at a number of institutions and there is a need for better estates information at both institution and Council levels:

- ▶ within institutions the poor condition of parts of the further education estate has at least partly been caused by a lack of adequate sustained investment. The limited expertise in estate management at some institutions and the lack of up to date management information has resulted in the estates strategies of some institutions being significantly deficient; and
- ▶ the Council needs better information to monitor effectively institutions' management of their estates. A project currently under way should improve management information for both the Council and institutions and provide benchmarks against which institutions can monitor their own performance.

Our detailed findings are set out below.

Condition

- 6 Over two thirds of the estate was built more than twenty years ago, with over a quarter of it over 40 years old. Approximately one third of the estate requires major expenditure under the categorisation applied by the Royal Institution of Chartered Surveyors. The current estimated cost of bringing the condition of the estate up to standard and maintaining it there over ten years is in the order of £80 million. A proportion of this, £20-40 million, represents the cost of addressing backlog maintenance, one of the reasons for which is the relatively low levels of expenditure devoted to maintenance by institutions in the past.

Functional suitability

- 7 Although not all institutions were able to provide information, the results of our survey showed that 43 per cent of the estate was less than acceptable in terms of functional suitability. In addition, there is £20.5 million of work required in order to make the further education estate compliant with disability legislation.

Utilisation

- 8 Although there is some good practice in the efforts of institutions to improve space utilisation, very few institutions are achieving the Council's notional target of 30 per cent. Together with its counterparts in England and Scotland, the Council is examining methods of improving space management. The nature of further education is changing and the estates must be developed to accommodate that changing provision. The Council has also commissioned consultants to examine the use of space management techniques at a higher education institution, with the intention of sharing the lessons learned with both the higher and further education sectors. Better utilisation and flexibility is key to coping with the planned expansion of the sector. The predicted continued increase in institutions' annual student intakes, therefore, gives them extra incentive to improve current utilisation rates.

Funding and expenditure

- 9 In line with its own funding from the Assembly Government, the Council currently provides funding to institutions annually, on a formula basis, making long-term estates planning difficult for institutions. Although some capital funding has been targeted on particular areas of weakness, the funding formula does not take any account of the age

or condition of a particular institution's estate. The Council acknowledges that the current estates needs of institutions outweigh the available funding. Some institutions have been proactive in seeking European funds to help develop their estates. The proposed new single National Planning and Funding System incorporates a three year rolling programme of funding.

Strategic estates planning

- 10 Although the Council requires further education institutions to produce and submit estate strategies, it does not provide guidance on specific priorities to institutions. Although strategic estates matters are discussed at meetings of the full governing bodies of all institutions, there is limited performance monitoring at both governing body and senior management team level, and only half of institutions set their own performance indicators.
- 11 Institutions were due to submit estates strategies to the Council in July 2000. The majority of strategies (17 from the 24 institutions with significant estates management responsibilities) were not submitted on time, underlining the lack of current management information held by institutions, the need to respond to changes in their operating environment and the consequent difficulty in strategic planning. Overall, the quality of the strategies submitted to the Council by institutions was not high. Estates consultants employed by the National Audit Office Wales considered that only seven out of 24 strategies were satisfactory. The consultants concluded that "observance of value for money processes are not being sufficiently achieved". They considered it likely that these weaknesses stemmed at least in part from the fact that strategies had not been prepared by staff with the relevant knowledge and experience, emphasising the need for greater input by the governing body and senior management into strategy preparation.
- 12 One factor that hampers the sector in addressing estate issues across the sector is the relatively poor quality of its management information. In recognition of the need for a standardised set of data against which to assess estate performance, the relevant Councils for England, Scotland and Wales have sought to establish a set of key estate measures to provide a basis against which institutions could measure, and hence improve, their own performance. Part of this Further Education Estates Management Statistics project, strongly promoted by the Council in Wales, is on-going work to establish agreed estate management definitions. These are essential if comparisons, based on robust, consistent data, are to be made between institutions. A pilot exercise, carried out in 2001, is due to be expanded across the sector in Wales in early 2003. The establishment of a set of key estates indicators from this project should act as a springboard for the Council to improve its management information and monitoring, and provide benchmarks for institutions to set their own targets.

Resourcing the estates management function

- 13 All but three institutions now have dedicated estates managers, most of whom come from building-related disciplines, although there is no consistent standard to which they are trained or qualified. Although some institutions have bought in expertise for various aspects of their estate work, generally there remains scope for strengthening the estates function. The limited resources of the Council's Property Section (two officers covering both the further and higher education sectors) mean that this Section is unable to undertake structured visits to institutions' estates as often as they consider desirable, thus limiting their ability to act in a proactive way.

Recommendations

To the Council

14 We recommend that the Council:

- i) monitors improvements in space utilisation and ensures that good practice identified is shared with the sector;
- ii) allocates at least some of its funding for estates according to the identified need of individual institutions;
- iii) signals the weight it attaches to estates matters through the development and publication of its priorities for improving the estate;
- iv) establishes a standardised set of key estates data and indicators, on the basis of the Further Education Estates Management Statistics project, against which institutions can measure themselves and for which the Council might in the future set targets; and
- v) reviews the resourcing of its Property Section, given the importance of the sector's estate to its overall performance.

To institutions

We recommend that institutions:

- vi) ensure that their information on functional suitability is complete and regularly updated;
- vii) in terms of meeting their obligations under the Disability Discrimination Act 1995, address those works which should already have been implemented (categories A and B), as soon as their resources allow;
- viii) revisit the guidance already provided by the Council and the National Audit Office to improve space management;
- ix) review their estates strategies on an annual basis to ensure that they remain up to date and take full account of the priorities published by the Council;
- x) ensure that governing bodies and senior managers have accurate and timely management information, as a sound basis for making decisions; and
- xi) consider strengthening their estates resources with either an in-house appointment, buying in expertise or collaboration with other institutions.

Concluding comments

- 15 The Welsh Assembly Government's policies of widening participation and lifelong learning have placed increased demands on institutions to broaden their curriculum and expand student recruitment. As a result, institutions not only have to provide high quality teaching and learning environments for all curriculum areas that will ensure good student achievement and retention. They also have to provide environments suitable for a growing and increasingly diverse customer market.
- 16 At the moment the quality of the sector's estate is variable. Furthermore, the generally low quality of institutions' most recent estate strategies suggests that the sector is not yet capable of tackling this issue effectively. Although the Council's resources are limited and its powers are not such that it can dictate to institutions, it needs to continue to work with them to prevent their estates becoming an obstacle to the achievement of the Welsh Assembly Government's policies. The Council's most significant initiative is the rolling out of the Further Education Estates Management Statistics project which should provide the basic, but vital, management information on estates issues that is currently lacking. For their part, institutions need to take greater responsibility for their estates and raise the priority of estates issues at both governing body and senior management level. The aim should be to ensure not only that decisions are made on the basis of good, up to date management information, but also that the concern for the estate is sustained.
- 17 This report makes a number of recommendations to assist the further education sector in improving the condition, suitability and utilisation of its estate. A more intensive use of the existing estate has the potential to generate financial savings; but these are difficult to estimate given the continued growth in the number of further education students and the impact on the estate of changes in the way that teaching is delivered. This report aims to help institutions address the particular challenges they face so that they are in a position to make the best use of the limited resources at their disposal.

PART 1: Introduction

Why the further education estate is important

- 1.1 Property is an expensive commodity and contributes to the standard of the education delivered in educational institutions. Managed well, the estate can attract students and provide the appropriate accommodation for the institution's curriculum aims. Good management makes maximum use of the estate and identifies surplus property for disposal, allowing institutions to redirect scarce resources into the delivery of education. If badly managed, the estate can actively hinder provision and become a financial burden.
- 1.2 The further education sector provides a wide range of education and training for 16-19 year olds and adults, from GCSEs and A/AS levels, to vocational courses and evening classes for adults. A further education institution's estate, therefore, comprises a variety of types of buildings, including teaching space, staff areas and, in some instances, residential buildings. In terms of the estate needed to deliver

courses, as well as the more conventional science laboratories and rooms equipped with computer work stations, accommodation needs vary from boat design to the performing arts, from farming to hairdressing, and from vehicle maintenance to bricklaying. **Figure 1** shows the location of the institutions across Wales and their main sites, while Case study 1 illustrates the range of provision across the sector.

- 1.3 Twenty-four of the 26 further education institutions in Wales have significant estates responsibilities¹. In total these 24 institutions own and occupy land and buildings of about 600,000 square metres, with a total value of about £250 million (depreciated replacement cost). This is about a quarter of the size of the NHS estate in Wales. The cost of replacing the entire estate with modern premises is estimated by the National Council for Education and Training for Wales (the Council) to be around £600 million (reinstatement value). In recognition of the importance of estates, *A Plan for Wales 2001*,

Case study 1: Range of provision



Coleg Gwent

The Usk campus dates from the 1930s. Provision includes land-based courses, sport, health and business courses and is also the main administration headquarters of Coleg Gwent.



Pembrokeshire College

Provision includes business studies, architectural and building conservation, hairdressing and beauty, tourism and catering.



Coleg Powys

Its three sites in Llandrindod Wells, Brecon and Newtown provide courses in agriculture, health and beauty, business, construction, IT leisure and the arts.



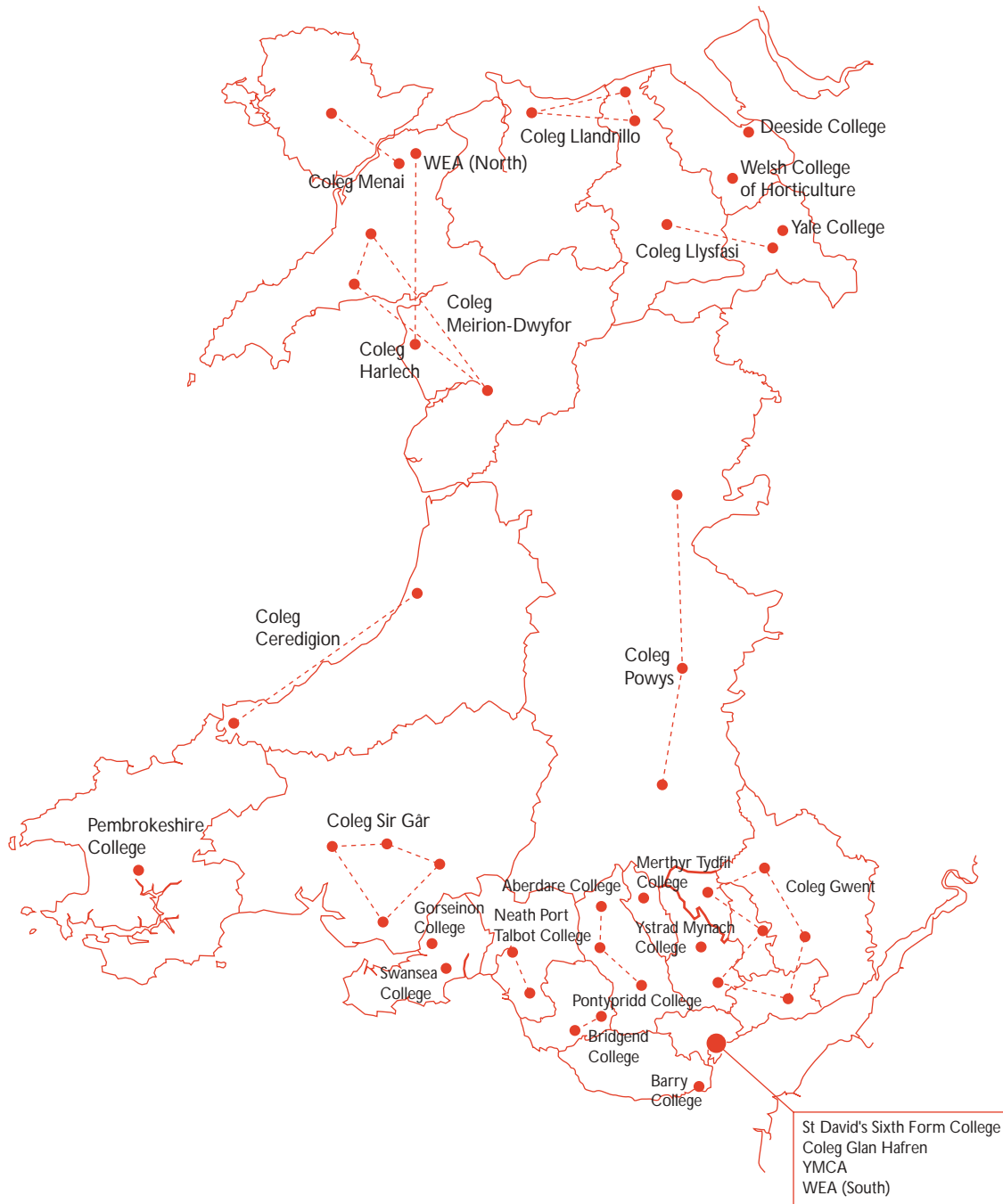
Pontypridd College

Provision includes art and design, health and social care, construction, engineering, catering, beauty and sports studies.

¹ The exceptions are the Workers Educational Association (South) and the YMCA.

Figure 1

The main sites of further education institutions in Wales



published by the Assembly in October 2001 (a follow up to its initial strategic plan, *Better Wales*, published in May 2000) includes one high-level target specifically related to educational estates, to be achieved by 2010:

"Ensure all... education provider institutions are fit for purpose [and] well maintained."

- 1.4 When further education institutions became independent bodies in 1993 (see box below), ownership of land and buildings was transferred to them from local authorities. As a result, institutions had to adapt to a range of new responsibilities which had previously fallen to local authorities, including estates management. The inherited estates varied greatly in size, age and condition, presenting a range of problems which are examined later in this report.
- 1.5 The responsibilities of the Further Education Funding Council for Wales, which provided funding for further education institutions, were merged into the National Council for Education and Training for Wales in April 2001. Through the Learning and Skills Act 2000, the Council was given a far broader remit that includes, in addition to further education, the funding of private training providers, school sixth forms and providers of adult and continuing education. The Council plans and oversees its investment in these sectors as a single network, in line with a single Corporate Strategy and Corporate Plan for all post-16 education and training (except higher education) in Wales. From 2003, this network of providers will be supported through the progressive introduction of a new single National Planning and Funding System, proposals for which have been submitted to the Minister for approval.

Factors affecting estate management

- 1.6 Since incorporation in 1993, there has been continuing growth in student enrolment figures in further education in Wales. The number of full time equivalent students increased by over 50 per cent between 1992 and 2000 and this growth is set to continue. The Assembly's strategic plan *Better Wales* (May 2000) sets targets to increase the numbers of students entering both higher and further education by 36,000 by March 2003.
- 1.7 In addition, the types of courses on offer are changing. For example, the number of students doing courses in computing has more than doubled since 1996-97, meaning that institutions need to be able to provide resource centres and computer work stations, as opposed to the more traditional classrooms with desks. In general, not only will there be more students, but they will be undertaking an increased variety of courses. Different types of accommodation, often specialist, will be needed to match this diversity of provision.
- 1.8 All institutions need to address recent changes in legislation and revised accommodation standards which require alterations to, and expenditure on, their estates in terms of health and safety and disability access. In order to comply with legislation the Council encourages institutions to plan improvements to their buildings and incorporate them into their planned maintenance programmes.

Under the Further and Higher Education Act 1992 (the Act), further education, sixth form and tertiary colleges moved from local authority control in April 1993 to become independent corporate bodies run by their board of governors. Although the individual colleges are self-governing institutions, and it falls to them to ensure that they obtain value for money from the public funding granted to them, the Council has a responsibility to ensure that public funds are used in an economic, efficient and effective way.

A financial memorandum between the Council and each institution sets out the terms and conditions on which funding is provided. The Council's role is one of providing advice, guidance and support to assist the autonomous institutions deliver improvements. However, the Council does have the power to appoint additional governors to oversee a programme of improvement or suspend payment of an institution's grant.

The Auditor General for Wales is the Council's external auditor by statute. He is not the external auditor of the further education institutions, which have the freedom to make their own internal and external audit arrangements. However, under Section 53 of the Further and Higher Education Act 1992 and Section 145 of the Government of Wales Act 1998, the Auditor General for Wales has rights of access to further education institutions for the purpose of carrying out value for money examinations.

Scope of the National Audit Office Wales' examination and methodology

1.9 This report examines:

- ▶ three key aspects of the estate: its condition, utilisation and functional suitability (Part 2); and
- ▶ factors affecting the management of the estate which, if addressed, would not only improve the estate but ensure the best use of funds available to supporting teaching (Part 3).

1.10 Our methodology is explained in detail in Appendix 1. In summary, we:

- ▶ undertook fieldwork at a total of six institutions and conducted extensive interviews with estates managers;
- ▶ carried out extensive interviews with the Council's Property Section;
- ▶ conducted a survey of the sector in order to obtain a range of up to date management information on various aspects of their estates; and
- ▶ employed GVA Grimley, consultants specialising in estates management issues, to examine all the estates management strategies submitted to the Council.

PART 2: The condition, utilisation and functional suitability of the further education estate

2.1 This part of the report considers the quality of the current estate, and the extent to which it is capable of playing the role it needs to in the context within which further education is now delivered. It does so in terms of the estate's condition (the physical state of the fabric of the buildings); its space utilisation (the frequency and occupancy of space); and its functional suitability for the accommodation and curriculum needs of its users. Each of these aspects is considered in turn.

Condition

2.2 The appearance and condition of the estate has a major bearing on the perceptions of the institution as a whole, by staff, students and commercial and local stakeholders. Maintaining and improving the condition of the estate is therefore not only a case of preserving an asset but attracting students and the related funding, creating a safe working environment for its staff, as well as facilitating effective teaching and learning. The results of the National Audit Office Wales survey, categorising the condition of the estate in terms of the indicators recognised by the Royal Institution of Chartered Surveyors (RICS), are shown in **Figure 2**. Nearly one third of the estate (30 per cent) is at best "operational but major repair or replacement needed soon". For example, we found instances where frequent roof leak problems meant that areas had to be guarded for health and safety reasons, leading, on occasion to the disruption of teaching. There have also been "security alarm activations", caused by draughts through faulty curtain walling, with serious implications in terms of building security and, again, class disruptions.

2.3 The current condition of the estate depends on a number of factors. Some institutions inherited much older properties in far worse conditions than others at incorporation and the resources made available to institutions to bring their estates to the required standard have not necessarily reflected condition. **Figure 3** illustrates the age profile of the further education estate and shows that over two thirds of the estate (68 per cent) was built over twenty years ago, with more than a quarter of it over 40 years old. Some buildings dating from the 1950s and 1960s are now nearing the end of their life span due to their original poor quality design and construction.

2.4 The Council does not have equivalent data from 1993, making direct comparison with the current position impossible. However, based on the experience of its staff, the Council strongly believes that overall the condition of the estate has much improved since that date. It points to a number of examples of the worst buildings - such as the widespread use of Portacabins at some sites - having been disposed of or improved. In total, it considers that the estate has improved at 19 out of 24 institutions, and has got worse at only two. In addition, it considers that whereas in 1993 poor elements of the estate were endemic, now they are more concentrated in certain pockets. Nevertheless, **Figure 4** shows the number of institutions whose property falls in the categories C and D bands (at best operational but major repair or replacement needed soon) below. Nearly half of the institutions (eleven of 23) have estates where at least a third (31 per cent or more) is in categories C and D.

Figure 2

Condition of the estate

	RICS categories			
	A	B	C	D
Results based on information supplied by 23 of the 24 institutions in the National Audit Office Wales survey	As new condition	Sound, operationally safe and exhibits only minor deteriorations	Operational but major repair or replacement needed soon	Inoperable, or serious risk of failure or breakdown
	11%	59%	24%	6%

Figure 3**Age profile of the further education estate (percentage gross internal area)**

Date of build	Pre-1840	1840-1913	1914-1939	1940-1959	1960-1979	Since 1980
Proportion of estate	2%	9%	4%	13%	40%	32%

Source: National Audit Office Wales survey

Figure 4**Spread of condition across the sector**

Proportion of the estate in RICS condition categories C and D	10% or under	11-20%	21-30%	31-40%	41-50%	51-60%	60%+
Number of institutions	3	4	5	5	3	0	3

Source: National Audit Office Wales analysis

2.5 The cost of addressing the condition of the estate has been estimated at different points in time. The methods and specifications for these estimates have, however, not been consistent, again ruling out direct comparisons. An appraisal carried out in 1993 revealed a maintenance backlog of £39 million at then current prices. By the time of the National Audit Office Wales survey in 2001, institutions estimated that there was overall approximately £67.5 million worth of estates work required to improve the quality of accommodation at institutions to grade B standard. The amount of asbestos work required across all Coleg Gwent's sites alone is estimated at £700,000.

2.6 In 2001, following receipt of institutions' strategies, the Council appointed consultants, Capita, to review the condition surveys conducted by all further education institutions in Wales. Capita estimated the cost of maintaining the estate in its current state, aside from any new buildings or major refurbishment over the next ten years, to be in excess of £50 million. This does not include any reactive maintenance that might be necessary due to asbestos, electrical work, legionella, fire regulations or other statutory implications. Taking into account inconsistencies in survey methods,

potential survey errors and the fact that some surveys were carried out up to four years earlier, Capita estimate this figure could be £62 million, rising to £80 million with VAT and professional fees. (The costs of condition survey works estimated by Capita are set out by institution in Appendix 4.) Some of this sum might be classified as routine annual maintenance, needed to maintain the estate in its current state. However, a good proportion of this figure - £20-40 million - represents the latest estimated cost of addressing backlog maintenance, that is the spending needed to bring the estate up to an acceptable standard. The Council told us that it was confident that this was substantially lower than at incorporation in 1993.

2.7 Owing to a lack of clarity in terms of definitions concerning estates matters, information on estates expenditure has not been recorded on a consistent basis at institutions (a problem that should be addressed as part of the Further Education Estates Management Statistics project (paragraphs 3.17 - 3.22)). However, the indicative trend information that is available suggests that current maintenance backlog has arisen in part due to the relatively low levels of expenditure on maintenance by institutions - **Figure 5**.

Figure 5

Indicative maintenance expenditure

	Average across sector*	Range	Council's notional target
	£	£	£
Institutions' revenue expenditure on estates, per square metre	31	7 - 48	40 - 50
Planned maintenance, per square metre	9	1 - 41	
Unplanned maintenance, per square metre	4	1 - 15	10 - 20 in total

*Note: most recent data

Source: National Audit Office Wales survey and the Council

KEY POINTS on the condition of the estate

- ▶ Around one third of the estate requires major expenditure.
- ▶ The estimated cost of bringing the estate up to standard and maintaining it to that standard is £60-80 million over ten years. The information available suggests that the current maintenance backlog, estimated by the Council at £20-40 million, has been caused in part by the relatively low levels of expenditure on estates by institutions.

Functional suitability

2.8 There are a number of factors affecting the suitability of the estate in terms of serving its purpose and meeting safety and statutory standards. These include:

- ▶ its location (in relation to centres of population, public transport);
- ▶ amenity (adequate amounts of space for staff or administration); and
- ▶ environmental conditions (heating, lighting, ventilation and noise levels).

2.9 Our survey revealed that all but five institutions had information on their estates' functional suitability. The results from these 19 institutions are set out below in **Figure 6**. A total of 43 per cent of their estates were below an acceptable standard in terms of their functional suitability, using the categories defined in the Estates Manual.

2.10 Another indicator for institutions and for the National Council of the condition and functional suitability of the teaching accommodation is the gradings given by Estyn, following their inspections. One of the elements that they assess is the *appropriateness, management and use of resources*, which includes an assessment of the accommodation. A summary of their second inspection cycle (1997-2002) indicates that 92 per cent of their gradings for this element are above their quality threshold, an improvement on the 82 per cent achieved on the first inspection cycle.

2.11 Case studies 2 and 3 are examples of how two institutions have addressed the issue of functional suitability in the strategic development of their estate through refurbishment, staged redevelopment programmes or reappraisal of the estate through merger.

Figure 6

Functional suitability

	1	2	3	4
Definition of category	The space is highly suitable for current functions	The space is suitable for current functions	The space is generally unsuitable for current functions	The space is very unsuitable for current functions
	24%	33%	27%	16%

Source: National Audit Office Wales survey

Case study 2 - Ystrad Mynach College - Refurbishment

The College has commenced a phased refurbishment of certain blocks which are not only in a significant state of disrepair but are also no longer functionally suitable. Rooms are poorly laid out with insufficient space in some areas and there is a lack of storage area. The layout of rooms needs improving due to curriculum and teaching needs and due to health and safety concerns in the metal shop. Some of this development work has included extending the current buildings as well as refurbishing.

The benefits of this work have included:

- ▶ extending the life of an outdated building and replacing temporary accommodation;
- ▶ the provision of modern accommodation at an economical cost;
- ▶ unavoidable repair costs combined with limited additional expenditure to improve the accommodation;
- ▶ clearer linkage with the remainder of the site and increased flexibility in teaching arrangements;
- ▶ bringing together staff areas which will improve communication and efficiency; and
- ▶ providing the opportunity to incorporate improved sanitary installations and better access.

Refurbishment was the preferred option appraised against demolishing and rebuilding, new build elsewhere on the site, and new build off site.

Ystrad Mynach: refurbishment



Case study 3 - Bridgend College - estates re-appraisal following merger

The merger of Bridgend College and Pencoed College, a land-based institution, which took place in April 2000, has been instrumental in a re-appraisal of the Bridgend College estates strategy.

The main site in Bridgend was already heavily used and there was no room for further expansion. The College took the opportunity to implement a redevelopment scheme at the Pencoed site where land space was over and above foreseeable needs and where several buildings were in need of renovation, demolition or replacement. After an option appraisal process, it was decided to replace sub-standard buildings at Pencoed and to adapt existing buildings to provide for the short-fall at the main campus. The intake for land-based courses at Pencoed was not predicted to expand but that for sport and recreation at the main campus was. The sport and recreation programme was therefore moved to Pencoed, freeing up space in Bridgend for other provision. A new teaching block is in use with a new sports centre and small animal centre.

Bridgend College: New teaching block at Pencoed Campus



The impact of disability legislation

- 2.12 An added factor for institutions to contend with is the need to comply with the Disability Discrimination Act 1995. This Act introduced legal obligations affecting the fabric of public buildings, including the requirement by 2004 to make reasonable alterations to buildings to accommodate the needs of disabled people.
- 2.13 The Council appointed consultants in 2001 to carry out a disability access audit of all further education institutions in Wales. This exercise identified £20.5 million worth of legislation work across the 24 institutions (exclusive of VAT and professional fees). This is in addition to condition survey works referred to earlier (paragraph 2.6). The cost of works needed to meet the requirements of disability legislation at each institution are set out in Appendix 4.
- 2.14 The works required are costed under four categories. Categories A and B relate to mandatory legislation and organisational elements (such as provision of car parking, appropriate signage, lifts) respectively which should already have been implemented. These categories account for approximately half of the overall works needed - over £10 million. Categories C and D cover elements which need to be completed by October 2004. The Council is encouraging institutions to give priority to work required to comply with the Disability Discrimination Act in their deployment of capital allocations and has put together a group to decide what to do in response to the findings of this survey. The group has developed an action plan to assist institutions to prioritise the work in accordance with agreed criteria.

KEY POINTS relating to functional suitability

- ▶ Although not all institutions were able to provide information, the results of our survey showed that 43 per cent of the estate was less than acceptable in terms of functional suitability.
- ▶ There is £20.5 million of work required in order to make the further education estate compliant with disability legislation.

We recommend that:

- ▶ institutions ensure that their information on functional suitability is complete and regularly updated; and
- ▶ in terms of meeting their obligations under the Disability Discrimination Act 1995, institutions address those works categorised as A and B, which should already have been implemented, as soon as their resources allow.

Utilisation

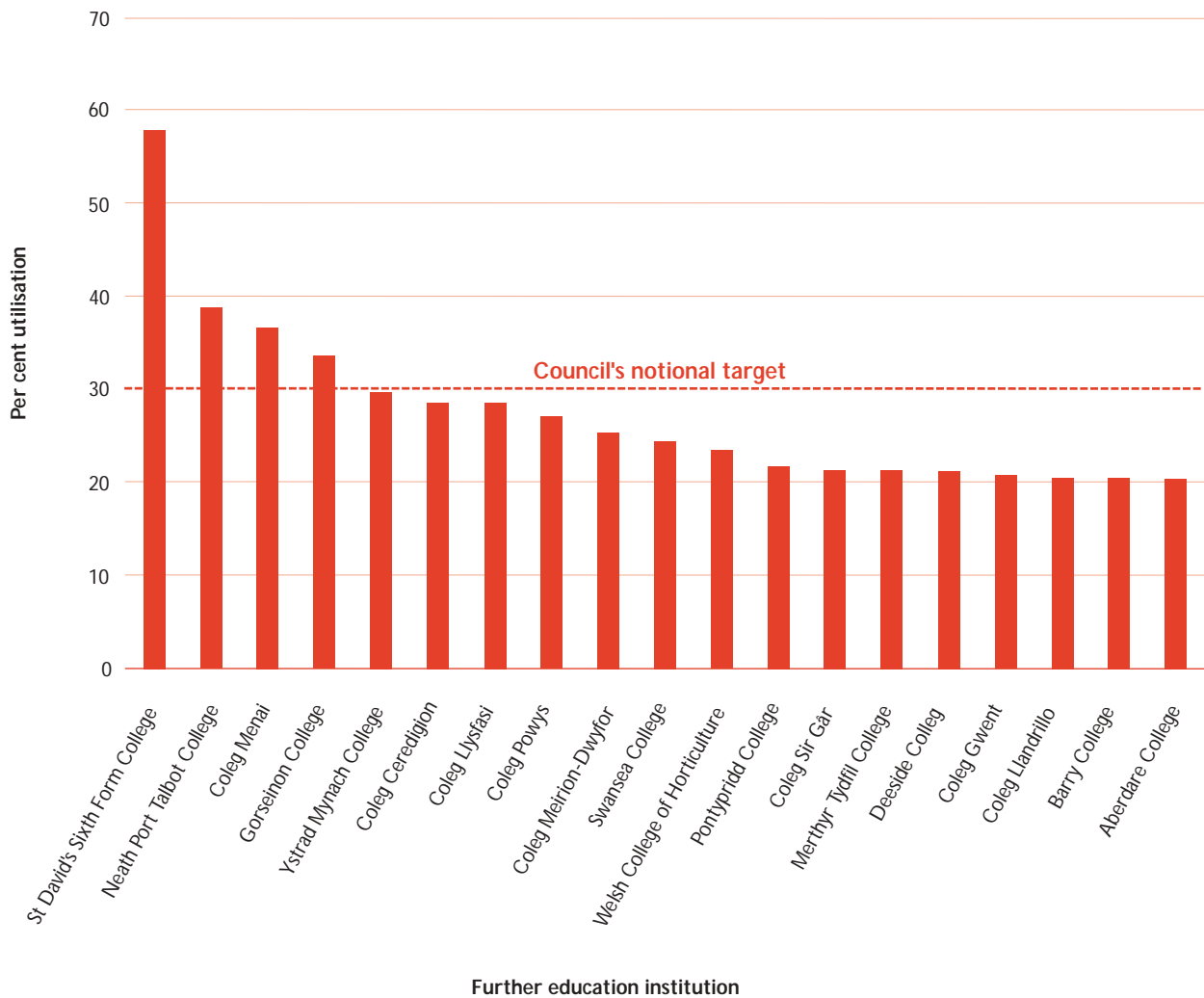
- 2.15 Using space more efficiently can release funds for other important activities. A key measure of how intensively accommodation is being used in terms of both the level of occupancy and the frequency of use is space utilisation rate. Extended monitoring of space utilisation over time gives a measure of the pressure on an institution's space and indicates whether there is scope for space to be allocated in a different way.
- 2.16 **Figure 7** shows the utilisation rates reported by institutions to the National Audit Office Wales and indicates whether they are above or below the Council's unwritten target of 30 per cent. The notional target is set at this level primarily in recognition of the constraints faced by institutions in improving the utilisation of their estate. These constraints include, for example, a mismatch between classroom sizes and student class numbers, as individual class sizes are tending to reduce; changes in modes of teaching and delivery, such as significant increases in distance learning, particularly e.learning; and the inherent inflexibility of many aging buildings, including restrictions on listed buildings, which means they cannot readily be adapted to suit modern needs. For the 19 institutions reporting their utilisation rate, this target proved to be a challenging benchmark: only five institutions achieved utilisation rates of 30 per cent or more. With the exception of St David's Sixth Form College, where the nature of provision is markedly different and facilitates better utilisation, overall rates ranged from 20 per cent at Aberdare College to 39 per cent at Neath Port Talbot College.

- 2.17 The latest budget allocation from the Assembly Government will result in funded growth in terms of student numbers of approximately two per cent. As a theoretical illustration of the impact that better utilisation of existing accommodation might have, if there is no change in current levels of utilisation and all the additional students were to be accommodated in new builds, the total cost (based on current space per full-time equivalent) to the sector would be some £13 million. The predicted increase in institutions' annual student intakes therefore gives them extra incentive to improve current utilisation rates.

- 2.18 The Council considers that space management has improved since incorporation, citing the fact that student numbers have increased by 70 per cent since then while the available accommodation has

Figure 7

Institutions' utilisation rates



Source: National Audit Office Wales survey

increased by only 10 per cent. However, institutions acknowledge and the Council confirms that there remains scope for making better use of the existing estate, rather than increasing the size of institutions' estates. In addition to the Council's Estates Management Manual, there is substantial guidance available to institutions to improve space management (although some of this is directed at the higher education sector, the principles also apply to further education):

- ▶ *The Management of Space in Higher Education Institutions in Wales*, National Audit Office, 1996, and the accompanying Good Practice Guide;
- ▶ *The Management of Space in Further Education in Wales*, the Further Education Funding Council for Wales, 1998; and
- ▶ *Space Management - A Good Practice Guide*, the Higher Education Funding Council for Wales, 2002.

Pembrokeshire College - where rates had been poor - is taking a number of measures to improve utilisation, set out in Case study 4.

Case study 4 - Pembrokeshire College - improving space utilisation

In response to low utilisation rates, the College now uses timetabling software to ensure more efficient use of space and has employed space consultants employed to advise on methods of improved utilisation. A space utilisation policy has been developed in draft which includes a number of measures designed to improve space management:

- ▶ the development of a space management group;
 - ▶ frequent space surveys (twice a year);
 - ▶ increasing the number of rooms timetabled centrally rather than by faculty;
 - ▶ on appointment, programme area managers are trained in timetabling skills;
 - ▶ the development of cross-faculty laboratory facilities;
 - ▶ inserting additional floors in existing buildings; and
 - ▶ a full annual review considering space surplus and shortfalls with a view to redistribution.
-

2.19 The Councils of further and higher education in Wales, together with their equivalents in Scotland and England, are currently jointly examining ways in which the principles and techniques of space management can be turned into practical policies that can be easily adopted by institutions. In addition, the Higher Education Funding Council for Wales has appointed consultants to analyse the space management techniques and future space needs of one higher education institution. The aim of the project is to assess rigorously the barriers to effective space management across the whole estate and provide recommendations that can then be used to the benefit of the whole sector. The lessons learned from this project will also be applied to and shared with the further education sector.

KEY POINTS on space utilisation

- ▶ Although there is some good practice in the efforts of institutions to improve utilisation, very few institutions are achieving the Council's notional target of 30 per cent. The Council is examining methods of improving space management.
- ▶ The predicted increase in institutions' annual student intakes gives them extra incentive to improve current utilisation rates.

We recommend that:

- ▶ institutions revisit the guidance already provided by the Council and the National Audit Office to improve space management; and
- ▶ the Council monitors improvements in utilisation and ensures that good practice identified is shared with the sector.

PART 3: Addressing the management of the further education estate

3.1 If the issues set out in Part 2 of this report are to be tackled, the Council and institutions need to work together effectively. At institution level there are estates managers with day to day responsibility for the function, overseen by governing bodies and senior management teams. The Council provides the bulk of the funding to institutions and gives them overall strategic direction. This part of the report examines what needs to be done in terms of:

- ▶ funding and expenditure;
- ▶ strategic estates planning; and
- ▶ resourcing the estates management function.

Funding and expenditure

3.2 The availability of funding is the most significant factor affecting an institution's ability to make changes to its estate. In the academic year 2000-01, institutions spent a total of £18.5 million (excluding pay) on their estates (revenue expenditure), some 6.6 per cent of their total expenditure (although there is some doubt over the consistency of institutions' recording of estates expenditure). In the same year, institutions' capital expenditure on estates was £11.4 million. Funding provided by the Council to further education institutions comprises a revenue and capital element. Both revenue and some capital funding is allocated on the basis of 'weighted student learning units' - see box below.

Calculation of weighted student learning units

Weighted student learning units (WSLUs) are calculated as follows:

the number of students on a programme x learning units x programme area weight***

*The learning units represent the volume of learning associated with a programme.

**The programme area weight reflects the varying costs of study programmes.

3.3 Since incorporation, the Council has allocated some £38 million of capital funding through formula allocations. In addition, and partly in recognition of the difficulties facing institutions in terms of bringing their estates up to standard, over the same period there have been various additional blocks of capital funding, totalling £89 million, made available to institutions. In total, therefore, the Council has allocated to institutions some £127 million in capital funding in the period up to

and including 2000-01. Nevertheless, the Council acknowledges that the estates needs of institutions outweigh the available funding.

3.4 The Council considers weighted student learning units, which reflect the different costs associated with programmes, to be a more accurate indicator than simple student numbers of an institution's need for funding. However, funding by formula in this way does not take any account of the age or condition of a particular institution's estate, and institutions have raised concerns about this. For example, although Pembrokeshire College is relatively new and generally in better condition than other institutions, it receives the same allocation per weighted student learning unit as other institutions whose estates demand greater expenditure.

3.5 Estates projects can require a long lead time. The Council provides funding to institutions on an annual basis, making longer term estates planning difficult. The Council also shares information on its three-year indicative budget when this is received from the National Assembly. No indication is given of how much might be for estates, or for other areas of expenditure, on the basis that it is for institutions to manage their own affairs in accordance with their individual needs and priorities. However, responses to our survey showed that institutions considered that the uncertainty of future funding was a significant additional factor to contend with in managing their estates. For example, while institutions reported that they had appreciated a one-off, ring-fenced maintenance fund of £3.8 million provided by the Council in 2000, they also made the point that, for it to be as effective as possible, they needed more time to plan for such expenditure.

3.6 There is a comprehensive funding review underway at the Council covering the whole of its remit, including the mechanisms by which funding is provided to institutions and other education and training providers. The results of this review, which included a full consultation exercise with further education institutions, are likely to be known early in 2003.

3.7 Although Council grants make up the bulk (approximately 70 per cent) of institutions' income, they are able to generate a significant element themselves. All institutions are eligible to apply for European Union Structural Funds and the majority of them have Objective 1 status. We found some

good examples of innovative estates projects funded in this way at Pembrokeshire College and Coleg Menai - case studies 5 and 6.

Case study 5 - Funding initiatives

Pembrokeshire College - Technology Innovation Centre

Pembrokeshire College has had approval from the Welsh European Funding Office for an Objective 1 grant of £768,000, towards the £2.33 million total cost of a project to construct a new Technology Innovation Centre. Planning consent was obtained in 2000 and work is underway. The College also successfully bid for £932,000 from the Council's Estate Infrastructure Fund and their Investment Fund for the Technology Centre.

Case study 6

Coleg Menai - Food Technology Centre

The Food Technology Centre was built on the Pencraig site of Coleg Menai at Llangefnï. The centre was completed in October 1999. The total cost was £1.1 million, of which 20 per cent of the funding, as well as the land to accommodate the building, were provided by Coleg Menai. The remaining funding was obtained from European Regional Development Fund, the Welsh Development Agency, Ynys Môn County Council, and the private sector.



KEY POINTS on funding and expenditure

- ▶ Council funding to institutions for estates is currently mainly by a formula, which does not take account of estates needs. A review of funding methodology is underway at the Council covering the whole of its remit.
- ▶ Institutions would benefit from a clearer sense of long term direction from the Council, to inform their own estates planning.

Whilst we recognise that financial resources are not available to meet fully the needs of the further education estate in the short term, we recommend that

- ▶ the Council allocates at least some of its funding for estates according to the identified need of individual institutions.

Strategic estates planning

- 3.8 Although there is a long-term Assembly target relating specifically to estates (paragraph 1.3), there is little evidence that estates matters figure in the Council's strategic thinking. Council minutes reveal that estates matters are rarely discussed. Nor does the Council's Corporate Plan feature targets in relation to the improvement of the further education estate. Furthermore, although the Council asks the further education institutions to produce and submit estate strategies (see below), it does not provide guidance on priorities to institutions.
- 3.9 The Council requires all institutions to provide, annually, an institutional strategic plan (covering four years) which includes a summary of the estate strategy. Periodically the Council also requires comprehensive updated estate strategies, generally covering a period of ten years. The latest estate strategies were due to be submitted by July 2000. Although the Council asked for brief updates of the estates strategies in 1996 and 1998, the last time full strategies were submitted was in 1994 and the next time is likely to be 2005.
- 3.10 The Council gave detailed guidance on what was required of institutions in producing their strategies. Only seven out of 24 institutions met the Council's deadline, five missing the deadline by at least six months. In many cases, the necessary data were not available or institutions had underestimated the time needed to compile the information (the issue of management information is considered below, at paragraphs 3.17 - 3.22). In some cases, however, extensions were agreed with the Council owing to internal institutional reviews. For example, due to the

full-scale review of curriculum activities and other reorganisations occurring at Coleg Gwent, its full strategy was finalised in June 2002, although an interim document was submitted in February 2001.

- 3.11 The Council's Property Section reviewed the strategies and sent a management letter to each institution, assessing the suitability of the strategy and identifying weaknesses. In view of significant weaknesses in the strategy submitted by one institution, the Council asked it to develop further its strategy for resubmission. This has been done.
- 3.12 The National Audit Office Wales appointed a firm of consultants, GVA Grimley (who had assisted the Council in the development of the Estates Manual), to give a professional view of the estates strategies, in terms of their suitability for purpose, option appraisal, and the extent to which the guidance given in the Manual had been followed, using a five point scale. The consultants found much variation in quality among strategies and across the different stages of the strategy preparation process. **Figure 8** below shows that less than a third were considered satisfactory by the consultants. In their view, over half of the strategies required further work on certain elements before they might be judged satisfactory, while four strategies were judged to be significantly deficient. No strategies were considered to be better than satisfactory.

Figure 8

Summary of consultants' views

Category	Number of strategies
Excellent strategies	0
Above average strategies	0
Satisfactory	7
Require some further work	13
Require significant further work	4
Total	24

Source: GVA Grimley review

- 3.13 Weaknesses identified by consultants included: the identification of inappropriate options, poor option appraisal and a lack of risk or sensitivity analysis for options. The consultants considered it likely that these weaknesses stemmed at least in part from the fact that they had not been prepared by people with the relevant knowledge and experience. This was most evident from shortcomings in the analysis of

the data collected, and, particularly, lack of strategic overview. This emphasises the need for greater input by the governing body and senior management into strategy preparation. These are significant weaknesses, since the consultants concluded that "it is likely that, as a result, strategic estate planning is not being optimised across the sector, and thus property will not maximise its possible contribution to educational delivery". They went on to add that this, together with a lack of good data on the amount and quality of space required by institutions, means that the "observance of value for money processes are not being sufficiently achieved". A full summary of the consultants' views on the strategies is set out at Appendix 2.

- 3.14 The feedback given by the Council to institutions generally concurred with the views of the consultants in terms of areas of deficiency, although the Council did not attempt to categorise the strategies in the same way. The National Audit Office Wales will share with the Council all detailed feedback received from the consultants to inform its future work. The Council is already planning to hold a training event for estates management staff to emphasise the key messages and lessons learned from this round of strategies and to share the good practice identified. Appendix 3 contains some examples of good practice from institutions' strategies.
- 3.15 Some institutions are establishing a cycle of regular strategy review, although not necessarily involving full documentation. Although the Council generally requests strategies every five years, our survey indicated that 14 institutions will review their strategy every year, a further six institutions said biannually, one said every five years, and the others when changes necessitate. In view of the changing circumstances within which institutions often find themselves operating, and given that funding is known on an annual basis, institutions should review their strategies annually to ensure that they remain current.
- 3.16 The changes in institutions' estates requirements identified through the strategic planning process can also lead, on occasion, to the need for estate acquisitions and disposals. Limited acquisitions have occurred in recent years as institutions have tended to refurbish or build new properties on existing sites. Disposals have been more common, such as the sale by Bridgend College of a site for retail development, and there are further disposals still in progress. For example, Coleg Gwent is seeking to dispose of surplus land for reinvestment into the

estate, Coleg Meirion-Dwyfor is in the process of selling its mansion house at Glynllifon, and Yale College is involved in a major land transaction.

Use of management information

3.17 One factor which hampers both the Council and institutions in terms of effective strategic estates planning is the absence of good management information. At institution level, this is not because estates matters are not accorded a high profile within the sector. We found that strategic estates matters were discussed at meetings of the full governing body at all institutions. At two thirds of institutions, estates matters are also discussed at a committee below governing body level - at their finance, estates or equivalent committees. Coleg Menai provides a good example of how an institution's key decision-makers, its governors, are involved in estates matters - **Case study 7**.

3.18 However, this high level awareness of estates issues was not underpinned by the availability of good management information. Governing bodies and senior managers at institutions have a wide range of estates-related responsibilities. They therefore need relevant, accurate and timely information on the estate so that they have a sound basis on which to make decisions. Our survey found that only two thirds of all governing bodies receive performance reports on estates matters, despite

Case study 7 - Coleg Menai - Management oversight

Governors are involved in estate matters through membership of the Finance, Estate and General Purposes Committee that reports to the Board. There is a five-year Estates Strategy that is approved by the Finance, Estate and General Purposes Committee and an Estates Unit Plan is produced annually that feeds into the College's Institutional Plan.

The Capital Schemes Monitoring Group is a consultative group made up of at least three members of the Board and the Principal that meets on an ad hoc basis. It ensures that tendering and contract procurement procedures are adhered to and monitors progress on all capital schemes.

The Estates Unit is one of 25 units in the College and it has thirteen members of staff. The Estates Manager, who holds the budget for the unit, reports to the Vice Principal (Finance and Planning) and they meet on a weekly basis.

the management oversight they have, and only three quarters of all senior management teams receive such reports. Only half of institutions set their own performance indicators.

3.19 The Council's Property Section holds a database with information on estates matters, but acknowledges that it and institutions have always struggled to maintain good, up to date information on it. Information held on the database is derived from a variety of sources:

- ▶ the Council's visits to institutions, which may be up to two years apart;
- ▶ institutions' estate strategies, which are generally required for submission every five years;
- ▶ the Council's surveys - six have been carried out since incorporation (two on condition, two on backlog maintenance, one on space and one on access); and
- ▶ financial information. However, different accounting practices in institutions lead to inconsistencies. For example, some include catering, security and cleaning within estates expenditure and others do not.

3.20 In recognition of the need for a standardised set of data against which to assess estates performance in both the further and higher education sectors, the relevant Councils for England, Scotland and Wales jointly commissioned projects, first in higher education and subsequently at the instigation of the Council in Wales in further education, to establish a set of key estate measures to provide a robust basis against which institutions could measure, and hence improve, their own performance². An important part of these projects is the on-going work to establish agreed estate management definitions, and to align them where possible with financial data, so that meaningful comparisons can be made between institutions.

3.21 In the further education sector, the Estates Management Statistics project began with a pilot study in February 2001, with the aim of expanding the pilot across the whole sector in Wales early in 2003. The pilot project identified 143 indicators that institutions might use to assess performance in

² Ten institutions in Wales were part of the pilot project, together with 15 from England and seven from Scotland. That nearly 40 per cent of Welsh further education institutions were represented on the pilot reflects the leading role taken by the Council on this element of the project.

managing their estates (not all of these were directly related to estates, but were high level contextual indicators of an institution's size). From this very wide range of indicators, the consultants advising on the project suggested 21 key indicators that together might provide an overall assessment of a typical estate and its management (Figure 9) and these have been published by the project steering group.

comparator institutions' performance and sharing of best practice. Publishing annually a set of key estates indicators, based on the 21 indicators above, would give institutions' management teams and governing bodies a focus for their own performance measurement and would in turn help to encourage reporting, monitoring and accountability across the sector. Setting targets for institutions to achieve would further drive home the need to improve the management of their estates.

Figure 9

Further Education Estates Management Statistics headline indicators

- 1 Ratio of insurance replacement value to college income
- 2 Depreciated replacement value per square metre
- 3 Building condition % sound
- 4 Functional suitability % gross internal area Grade 1 and 2
- 5 Ratio of net internal area to gross internal area
- 6 Square metres per workplace total teaching
- 7 Number of workplaces per teaching room - total teaching
- 8 Support net internal area as % total non-residential net internal area
- 9 Square metres per office workplace
- 10 Total non-residential net internal area
- 11 Total property costs per square metre gross internal area
- 12 Total property costs per square metre net internal area
- 13 Total property costs per student full time equivalent
- 14 Ratio of total property costs to college income
- 15 Capital expenditure on estates per square metre gross internal area
- 16 Maintenance costs per square metre gross internal area
- 17 Reactive maintenance as % of total maintenance
- 18 Repair backlog to total maintenance ratio
- 19 Energy costs per square metre gross internal area
- 20 Hire charges per workplace hour
- 21 Estate management costs per square metre net internal area

3.22 One of the key benefits from the establishment of robust, consistent performance data is the scope for benchmarking that it offers. In this context, the Council has a role in using the data generated as a result of this project to facilitate awareness of

KEY POINTS on strategic estates planning

- Many estates strategies were not submitted on time (17 out of 24) and, overall, the quality of the strategies submitted to the Council by institutions was not high. One reason for the low quality of the strategies was thought by the consultants to be the lack of strategic knowledge of the person who writes the strategy.
- At all institutions, estates issues are discussed by the governing body or a sub-committee. However, one third of all institutions state that they do not report their estates performance to the governing body; half of all institutions do not set their own performance targets; and only three quarters of institutions state that they report performance to their senior management team.
- The Further Education Estates Management Statistics project should provide the robust, consistent data that have hitherto been lacking. The establishment of a set of key estates indicators from this project should act as a springboard for the Council to improve its management information and monitoring, and provide benchmarks for institutions to set their own targets.

We recommend that:

- the Council signals the weight it attaches to estates matters through the development and publication of its priorities for improving the estate;
- all institutions review their estates strategies on an annual basis to ensure that they remain up to date and take full account of the priorities published by the Council;
- institutions ensure that governing bodies and senior managers have accurate and timely management information, as a sound basis for making decisions; and
- the Council establishes a standardised set of key estates indicators, on the basis of the Further Education Estates Management Statistics project, against which institutions can measure themselves and for which the Council might in the future set targets.

Resourcing the estates management function

At the Council

3.23 Advice on estate management is provided for both the higher and further education sectors - a total of 39 institutions - by the Council's Property Section, which comprises two officers (both with surveying qualifications). This gives a 1:17 ratio of staff to further education institutions in Wales, compared with ratios of 1:4 and 1:8 for the Council's equivalents in Northern Ireland and Scotland respectively. The Property Section has a wide range of objectives, including: improving the profile of the estate, encouraging prudent estate management, and developing the role of the 'intelligent client' when representing the institutions (for example, when dealing with contractors or negotiating with a local authority). With the Council's wider responsibilities for lifelong learning and widening participation, the Property Section is also now involved in property issues relating to venues for the special training projects set up in Merthyr Tydfil and Ebbw Vale in response to local redundancies.

3.24 Although they are in frequent, often daily, contact with institutions, in terms of substantive site visits, Council staff are able to spend, on average, about one day in each further education institution every two years. However, the Council buys in consultancy services to assist with major tasks: for example, King Sturge were employed to review institutions' maintenance performance in 1998 and Capita were brought in to review condition surveys and compliance with the Disability Discrimination Act 1995. Property Section officers told us that they lack the resources to be able to spend more time at institutions in order to be better informed about estates issues on the ground, and hence to be in a position to be more proactive in the way that these issues are handled.

At institutions

3.25 The Council's Estates Management Manual defines the responsibilities of estate managers as being to:

- ▶ facilitate long-term improvements in the efficiency of the estate to ensure effective delivery of function;
- ▶ bring the estate up to, and sustain it at, a condition appropriate to its task; and

- ▶ ensure that only land and buildings required for the current purpose and those purposes foreseen in the strategy are held.

3.26 **Figure 10** lists the institutions in order of their relevant expenditure. Usually, institutions have estates managers, reporting to the Vice Principal, although exact roles vary from institution to institution. In three institutions, there is no dedicated estates manager.

3.27 Estates responsibilities are discharged in differing ways across the sector and this is not necessarily a reflection of the size of the estate. The teams in institutions vary from one manager at Pontypridd College supported by caretakers to a team of 11 largely estates-qualified personnel in Coleg Gwent. There are also differences in that some institutions largely contract out their estates work and others, such as Pembrokeshire College, have direct labour such as painters and plumbers on their payroll.

3.28 The results of our survey showed that there is no consistent level to which estate managers are trained or qualified. Most of the sector's estates managers come from building-related disciplines, although the degree to which they are qualified to perform their role varies from a certificate in health and safety to higher degrees and membership of the Royal Institution of Chartered Surveyors - **Figure 11**. (There is no nationally-recognised standard requirement for an estates manager post, equivalent to an Institute of Personnel and Development qualification for personnel staff, or a Chartered Institute of Purchasing and Supply qualification for procurement staff.) Of the 24 institutions, five have estates managers with no formal estates-related qualifications.

3.29 Given the amount of expenditure involved, the three institutions where there is no dedicated estate manager should reconsider the level of expertise required to carry out the function adequately. In order to increase the level of expertise in the sector, aside from a dedicated appointment, options that are open to all institutions include:

- ▶ increasing the provision of estates training for the staff with responsibility for estates. The Council is already arranging a training event for estates staff, based on feedback to their estates strategies;

Figure 10

Estates staffing at institutions

Institution	Premises non-pay expenditure (2000-01) £000	Area m ²	Dedicated Estates Manager
Coleg Gwent	2,447	67,991	✓
Coleg Llandrillo	1,341	26,674	✓
Neath Port Talbot College	1,232	32,893	✓
Swansea College	1,220	27,203	✓
Coleg Sir Gâr	1,215	58,475	✓
Coleg Powys	1,185	27,823	Vice Principal
Pontypridd College	1,128	32,000	✓
Coleg Glan Hafren	1,055	20,758	✓
Coleg Menai	1,049	26,832	✓
Yale College	937	34,608	✓
Barry College	856	20,207	✓
Bridgend College	698	43,723	✓
Coleg Meirion-Dwyfor	662	22,963	✓
Deeside College	627	32,000	✓
Pembrokeshire College	464	17,998	✓
Ystrad Mynach College	424	12,738	✓
Gorseinon College	350	12,230	✓
Coleg Ceredigion	275	8,783	✓
Coleg Llysfasi	266	22,034	✓
Aberdare College	256	5,570	✓
Merthyr Tydfil College	253	12,354	Vice Principal
Welsh College of Horticulture	240	16,552	✓
Coleg Harlech WEA (N)	179	6,409	Director of Finance and Administration
St David's Sixth Form College	116	7,660	✓
TOTAL	18,475	596,478	21

Source: National Audit Office Wales analysis of survey data, the Council

Figure 11

Qualifications of estates staff

Qualification	Number of institutions
Degree, HNC, HND, Certificate or Membership of Royal Institution of Chartered Surveyors	18
Experience with Health and Safety Certificate	1
Experience only	5

Source: National Audit Office Wales analysis of survey data

- ▶ buying in expertise on a short-term basis to give advice and assist the person with responsibility for estates management - see Case studies 8 and 9; and
- ▶ collaboration in management between institutions - a practice which does not currently happen in the estates function - in order to secure economies of scale.

Since each institution is different, it is unlikely that a "one size fits all" approach would work. Each institution needs to ensure that it has the expertise it needs in the form that it needs.

Case study 8

Pontypridd College - support for estates management

Pontypridd College is based at five main sites located along an eleven mile stretch from Nantgarw, near Pontypridd, to Llwynypia in the Rhondda valley. The estates team currently comprises an estates manager with caretaker resources for the main sites and a security guard at Rhydyfelin campus. The team has no technical or administrative support. To assist with management of the estate, the College has a term commission in place with Rhondda Cynon Taff County Borough Council, Property Services Department appointed to provide a Managing Agent Consultancy Service. Under the commission they provide assistance/support to the Estates Manager for day-to-day reactive maintenance (up to £5,000 value), management of contract maintenance (routine inspection/testing of mechanical and electrical equipment) and project management for minor works services (up to £100,000 value). All major capital projects (over £100,000 value) are subject to an independent competitive fee bid process for consultant appointments. The Estates Manager is directly involved with order/invoice processing in all aspects of estate management and budget expenditure, the implementation of services and is the 'client representative' for all minor works services and capital projects.

Case study 9

Gorseinon College - use of consultant in strategy formulation

The Estates and Safety Manager at Gorseinon has no team but is part of the estates committee which is made up of the Principal, two Assistant Principals, the Academic Registrar, the Faculty Manager and two governors. The College appointed a consultant to assist in the development and documenting of the strategy. The consultant, who attended five estates committee meetings, also carried out a condition survey, a space utilisation survey and produced a long term planned maintenance programme. Option appraisals were carried out and a strategy drawn up by the consultant under the supervision of the Committee.

Institutions' use of guidance and support

- 3.30 We reviewed estate managers' awareness and use of guidance on estates management at institutions through both our sector-wide survey and our field visits. Most, but not all, institutions reported that they rely on the Council's manual as guidance, with about half using other Council publications such as their bulletins. Not all institutions are making full use of the guidance available to them, such as the *Management of Space in Higher Education Institutions in Wales* (1996), and the accompanying *Good Practice Guide* produced by the National Audit Office or that produced by the Building Maintenance Information Service, the Further Education Development Agency, and other Funding Councils.
- 3.31 Guidance and support is also provided via the Estates Managers Network Group which meets at least three times per year to discuss management issues across the sector. Workshops have been arranged to support the production of the estates strategies and dovetail into Council policy. Three regional cluster groups also meet and feed back into the national group. From our visits we found that estates managers particularly valued these less formal cluster group meetings as a means of sharing experiences and problems with their peers.

KEY POINTS on resourcing the estates management function

- ▶ Resource limitations mean that the Council's Property Section cannot always act in a proactive way.
- ▶ All but three institutions now have dedicated estates managers, although there is no consistent standard to which estates managers are trained or qualified. These managers are supported in a variety of ways.
- ▶ There is scope for strengthening the expertise in the estates function across the sector.

We recommend that:

- ▶ the Council reviews the resourcing of its Property Section, given the importance of the sector's estate to its overall performance; and
- ▶ all institutions consider strengthening their estates resources with either an in-house appointment, buying in expertise or collaboration with other institutions.

APPENDIX 1

Methodology

We conducted the study as follows:

- ▶ we employed an estates specialist, to examine all the estates management strategies submitted to the Council;
- ▶ we examined the Council's reviews of those strategies;
- ▶ we carried out work at the Council;
- ▶ we undertook fieldwork at a pilot institution in 2000 and at a sample of 5 institutions in 2001 where we conducted extensive interviews with estates managers;
- ▶ we conducted a survey of the sector in order to obtain a range of estates management information;
- ▶ we sought to identify good practice in estates management and planning from the evidence gleaned; and
- ▶ we made recommendations for improvement where possible.

Examination of institutions' estates strategies

Estate strategies were due to be submitted by institutions to the Council by 1 July 2000. We employed a consultant, GVA Grimley, to:

- ▶ assist us with our examination of institutions' strategies;
- ▶ compare the strategies with the requirements of the Council; and
- ▶ highlight good practice.

Work at the Council

We interviewed the staff at the Council's Property Section and examined:

- ▶ their role and aims;
- ▶ their monitoring of the further education estate;
- ▶ the data held and systems for updating this data;
- ▶ the Council's role in the England, Scotland, Wales-wide Further Education Estates Management Statistics project;
- ▶ measures being taken to improve the estate; and
- ▶ the advice and guidance given to institutions.

Institutions visited by the National Audit Office Wales

We carried out a pilot visit to Gorseinon College, Swansea in 2000. Field visits were also carried out to Coleg Menai, Coleg Powys, Pembrokeshire College, Coleg Gwent and Pontypridd College.

Whilst the selection was not intended to be wholly representative of the sector, it did include institutions in the north and south, east and west, on single and split sites and with estates of varying size, age and condition.

Survey

A questionnaire was sent to every institution in the sector. The survey collected data on:

- ▶ the area and value of the estate;
- ▶ management arrangements at institutions;
- ▶ strategy formulation; and
- ▶ the condition, utilisation and functional suitability of the estate.

Responses were received from all 24 institutions although not all were able to provide complete information and in the format requested (Table 1). This information enabled us to draw out trends across the sector and form a picture of the whole estate.

Table 1	
Omissions in National Audit Office Wales survey responses	
Condition	Pontypridd College
Functional suitability	Bridgend College, Coleg Glan Hafren, Coleg Sir Gâr, Pontypridd College
Utilisation	Bridgend College, Coleg Glan Hafren, Coleg Harlech, Yale College

Summary of consultants' views

Strategic Objectives

- 1 The data collection for this stage was generally satisfactory. Any further work required in this section is generally the analytical teasing out of the strategic estates implications of the institutions' strategic information. That translation - from institutions' objectives to estates objectives, and to identified property requirements in terms of space amount, nature and location is what is often lacking, in whole or part. We believe that this translation has not been completed through lack of the skills and expertise to do so. What it means is that many institutions have not identified the specific estates drivers and requirements needed to properly deliver their educational provision now and in the future. Therefore, it is probable that too much of the wrong sort of space is being held, possibly in the wrong locations. This neither maximises educational delivery or the use of scarce physical and financial resources.

Estates Assessment

- 2 Overall, the data collection part of the exercise was generally satisfactory. In some cases the data provision significantly exceeded expectations, and this comes back to the lack of understanding of the purpose behind that collection. Strategies should be compliant with the requirements set out in the guidance and should add to the requirements only when this can be expected to be relevant.
- 3 However, institutions do not always seek to investigate the implications of the information they are presenting. In particular there is often incomplete or incorrect interpretation of functional suitability, town planning and valuation data. This means that institutions may not be addressing current issues of fitness for purpose and, as a result, educational delivery could be suffering. Nor are they recognising opportunities for site relocations or asset disposals. This is linked to them not properly identifying property requirements. This may be inhibiting the release of surplus space which would offer both a funding opportunity to effect estate change projects and could also lead to recurrent premises cost savings, enabling funding to be redirected from property into more direct educational delivery.

Gap Analysis and Option Generation

- 4 The identification of inappropriate options is a problem with a number of strategies. In some cases options were not estate-wide and they focused on individual projects. This is as a result of a lack of 'big picture thinking/knowledge' by the strategy author. In not taking an innovative holistic view institutions do not appear to be understanding that for a strategic exercise each option must address all estate objectives established in the conclusions to the Strategic Objectives section, and all options must be able to achieve the same thing. But as strategic estates objectives were not always explicitly defined then this made this part of the process even more difficult. The implications here are that opportunities are probably being missed to generate ideas for substantial improvements in the estate and property is possibly not playing its part in improving educational delivery, and in delivering value for money.

Option Appraisal

- 5 Option appraisal abilities vary across institutions and this is an area where most strategies are unsatisfactory. At one extreme, some institutions proceed to select a strategy on the basis of incomplete option appraisal. This is the wrong process and cannot justify the investment decision being made or ensure that value for money is being achieved. At the other extreme, and partly due to the selection of inappropriate options and the general poor understanding of the overall process, institutions become embroiled in analysing particular projects. This approach can mean a lot of wasted time and effort, especially if that detailed project does not have strategic validity.
- 6 Few institutions undertook risk or sensitivity analysis for options. Property change is inherently difficult and risky and, as these strategic considerations are so vitally important to the future of the institution, then they must be properly risk assessed so as not to waste time or money in embarking upon something that cannot be properly fulfilled.

Strategy and Implementation

- 7 Many documents are not fit for purpose because they do not contain an actual strategy or a proper plan under which to implement it. This is a particular area where more work is required in basically finishing off what the institution has already progressed (sometimes) well. Overall, the analysis was poor. It is the finishing touch to the data collection and analysis completed and the one from which estate improvements will emanate. It is also a section of the strategy that, properly done, requires considerable specialised input into innovative thinking on funding and procurement so as to actually achieve what is needed and to do so at best value.
- 8 Without a proper defined future strategic estates direction, and an implementation plan for that, then it is unlikely that the institution's accommodation will improve over time. Lack of strategic direction/planning is also likely to result in future property spend being reactive, as opposed to proactive. That could mean money being spent on the wrong thing, to be undone later, or more money being spent than is otherwise necessary.

Value for Money

- 9 This review of estates strategies leads us to conclude that it is unlikely, at present, that a value for money approach is being sufficiently achieved in the strategic planning of institutions' estates. This can be demonstrated at three levels: economy, efficiency and effectiveness.

Economy

The amount of space held

- 10 Running existing premises and completing construction projects to extend or alter them requires significant funds in both capital and revenue terms. It is thus of paramount importance that institutions, in developing their estates strategies, demonstrate a rigorous approach to the calculation of space needs. To be done properly this entails an assessment of proposed curriculum structure, delivery methods and student numbers. From this can be derived a theoretical space need, to be compared with actual space held, to estimate

over or under space provision. This will show where the institution's intentions can be achieved within existing building stock, with or without some spare capacity, or alteration/extension.

- 11 Our review of the strategies indicates that space need is not often being properly calculated, and thus there is no robust justification for the amount of space being held or created. However, the reviews show that space utilisation studies have been done by virtually all institutions, and these are often indicating low rates. It might be that an institution has the wrong sort of space. It might be that the sector's estate is larger than it need be. If this is the case then there is:
 - ▶ a reduced need for new space, and thus a potential saving in capital costs;
 - ▶ a potential saving of 'excess' running costs on currently surplus space;
 - ▶ an ability to avoid expenditure on backlog maintenance on surplus space; and
 - ▶ potential for institutions to realise some capital through disposals of surplus assets.

Methods to fund change

- 12 Few of the strategies are innovative enough to consider radical change to their existing estate, and most look to minor modifications of existing holdings. This is stifling the progress of required change, and meaning that change proposals are possibly not the most economic. The disposal of assets can be a source of funding. Institutions do not appear to be recognising that their estates may have intrinsic value, and they may be able to sell part of their landholdings to fund estate change. In the case of a too large estate, requiring considerable investment, it could be more economic to dispose of the whole and relocate to smaller and better premises. Such radical change options are not being widely generated, or thoroughly investigated.
- 13 Alternative forms of funding might lie in PPP type arrangements with other providers - especially for the provision of, say, sporting facilities or for a joint venture approach involving joint institution/commercial uses. We did not see much evidence of these procurement methods being considered.

Efficiency

The nature of space held

- 14 Many institutions occupy outdated building stock with poor insulation and services that costs more to run than modern space. The nature of the poor functional suitability of some buildings could also result in institutions incurring inappropriate costs. Most institutions are well aware of their running costs and many appear to be instigating or considering various cost saving initiatives. We were not however able to understand, from the information provided, whether institutions were being radical enough in their improvement proposals to gain cost efficiencies and certainly the strategies do not highlight specific functional remediation costs separately.

The location of space held

- 15 In the cases of the multi-campus institutions there will be a duplication of costs for services repeated on each site; a dilution of the services offered because of the spread; and an inter-site time and travel-related cost. Campus consolidation is an obvious way to improve services whilst also cutting costs. Yet the strategies show minimal consideration of such consolidation. Again, this demonstrates a lack of innovative holistic estate-wide thinking within the strategy process.

Effectiveness

Proper investment decision making and planning

- 16 This requires strategic investment planning, on an estate-wide level, and relates to the purpose of an estates strategy, the nature of its option evaluation exercise, and the need for an implementation plan. Getting this wrong could result in unplanned and unjustified spending that may not have any strategic fit. Some institutions' estate strategies are lacking in certain respects.

Good estate management practices

- 17 Property is an expensive long term commodity that requires considerable maintenance. If carried out in a planned and proactive manner then expenditure can be minimised and budgeted accordingly. It is clear from the strategies that maintenance spend has been reduced in past years and a backlog allowed to accumulate. Whilst the majority of institutions now have a planned maintenance programme, some indicate that they cannot afford to implement it, and some are, incorrectly, allowing maintenance issues to lead their strategic planning process.

Summary

- 18 Our overall conclusion is that the majority of the documents reviewed do not constitute fully comprehensive estates strategies and this is probably because they have not been completed by people with the relevant knowledge and experience. Data collection has, in most cases been satisfactory, but the analysis of that data falls short. There is a lack of strategic overview and demonstration of innovative approaches which has caused shortfalls in the resultant documents. It is likely that, as a result, strategic estate planning is not being optimised across the sector, and thus property will not maximise its possible contribution to educational delivery. This, coupled with minimal proof of the quantum and quality of space required, means that the observance of value for money processes are not being sufficiently achieved. There, must, therefore be some doubt as to whether the level of property-related capital and recurrent expenditure across the estate is appropriately justified through proper processes.

19 Each stage of the strategy preparation process is fundamental. We found much variation in quality across those different stages, by individual institutions. The extent of that further work does vary, but we are of the view that a few strategies are significantly deficient. In terms of totals this can be summarised as:

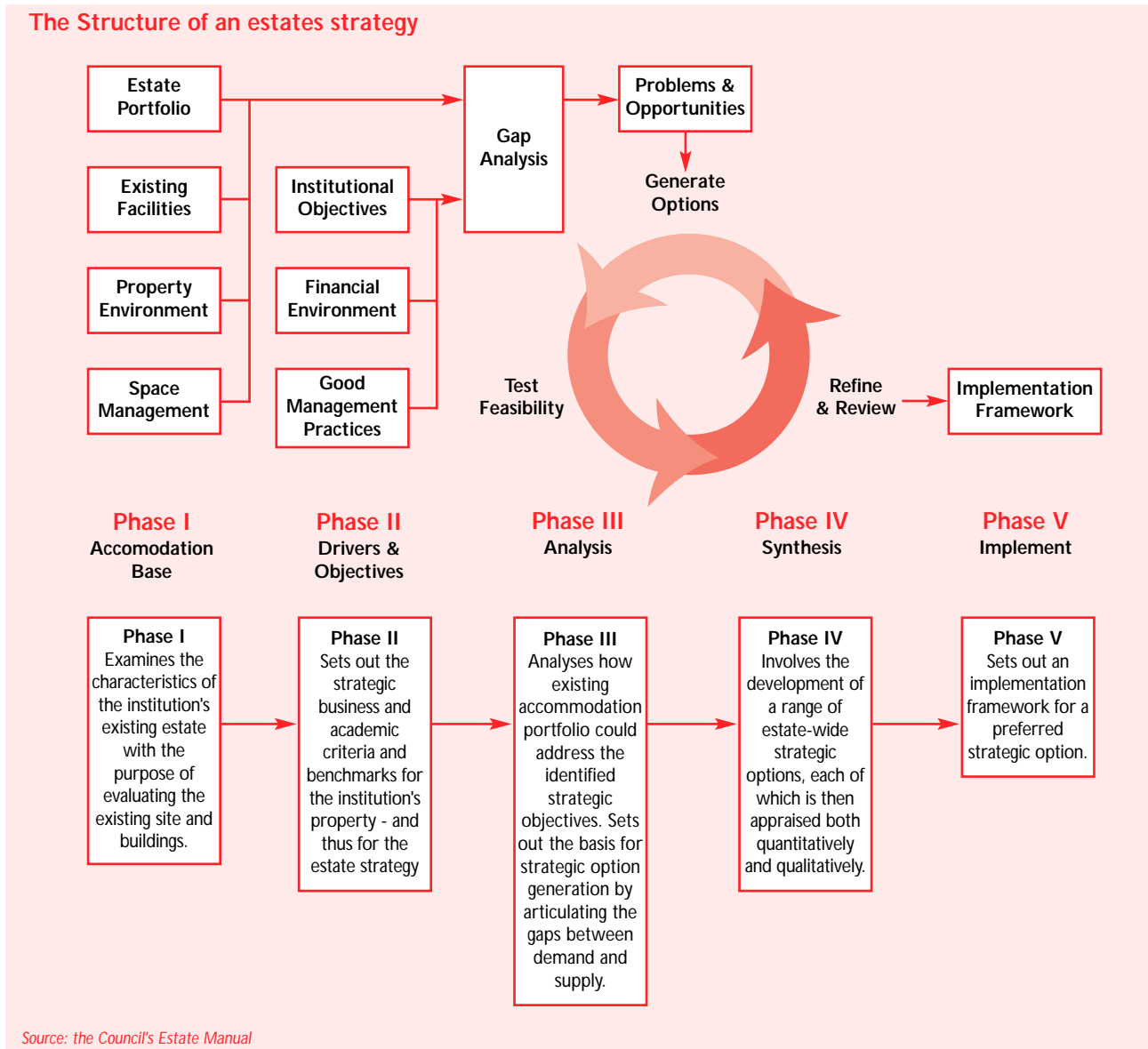
▶ Excellent strategies	0
▶ Above average strategies	0
▶ Satisfactory strategies	7
▶ Strategies requiring some further work	13
▶ Strategies requiring significant work	4

GVA Grimley, September 2001

APPENDIX 3

Good practice in strategy development

- 1 The Council's estates manual prescribes five phases around which an estate strategy should be articulated - set out below:



- 2 **Phase I** of strategy development should examine the characteristics of the institution's existing estate with the purpose of evaluating the existing site and buildings. Strategies demonstrating good ways of assessing the existing estate included Swansea College which rated each building for both suitability and flexibility, an important factor when curriculum delivery methods demand ever-increasing flexibility in the use of space. An extract from this strategy is set out below.

Case study 10 - Phase I: Accommodation Base - Swansea College

Building- Tycoch	Suitability for existing use	Flexibility
Main building	B	C
Engineering	A	D
Motor vehicle	A	D
Sports hall	B	D

Key: A - Excellent, B - Above average, C - Average, D - below average, E - Poor



- 3 **Phase II** should set out the strategic business and academic criteria and benchmarks for the institution's property - and thus for the estate strategy. Both the Welsh College of Horticulture and Barry College list their strategic objectives and clearly highlight the related estates implications in a table format. An extract from Barry College's strategy is set out below.

Case study 11 - Phase II: Drivers and objectives - Barry College

Objectives	Property implications
Draft and implement a revised marketing strategy	Establish facilities in other areas such as Barry town centre, Penarth and West Cardiff
Identify under represented groups and development opportunities	Provide quality accommodation to absorb intended growth in student numbers
Set departmental growth targets	Ensure adequate accommodation is provided for existing and additional staff
	Significantly improve space utilisation of existing accommodation

- 4 **Phase III** should analyse how the existing accommodation portfolio could address the identified strategic objectives. It sets out the basis for strategic option generation by articulating the gaps between demand and supply. Coleg Llysfasi used a strengths, weaknesses, opportunities, threats (SWOT) analysis to go on to generate strategic options. Examples from this are given below.

Case study 12 - Phase III: Analysis - Coleg Llysfasi

Strengths	Weaknesses	Opportunities	Threats
Capital assets	Low utilisation	Capital value generated by disposal of non-core properties	Falling demand for residential accommodation
Low borrowings	Low flexibility for alternative educational user	Collaboration with other providers and organisations	Non-compliance with Disability Discrimination Act

- 5 **Phase IV** should involve the development of a range of estate-wide strategic options, each of which is then appraised both quantitatively and qualitatively. The example below sets out one option appraisal from Coleg Harlech.

Case study 13 - Phase IV: Synthesis - Coleg Harlech

Building works	£2,750,000 + fees and VAT
Land purchased	Nil
Furniture and equipment	£150,000 for new furniture etc + VAT
Other capital costs	Demolition of existing residential block (£200,000 + fees + VAT)
Additional staff	Nil
Additional premises running costs	2,000m ² @£16/m ² (more efficient building) + VAT
Other revenue costs	£40,000 minor refurbishment work in years 6, 11 and 16 (+ fees + VAT)
Residual value	£2,750,000 x 31/50 (ie value at end of year 20)
Sale of lane/buildings	Could sell off Goat track/Pencraig but no value
Savings in running costs	Existing building running costs (2821m ² x £18.29/m ²) + VAT
One-off savings	Forward maintenance cost of existing residential block (uplifted by 56% as before)
Additional student income	Nil
Commercial income	£50,000 per annum additional

- 6 **Phase V** should set out an implementation framework for a preferred strategic option. The example below shows the approach taken by Coleg Glan Hafren.

Case study 14 - Phase V: Implementation - Coleg Glan Hafren

Development and Space required	Reason for the need	Estimate of possible capital and revenue	Risk rating	Priority	Financial year for completion
Meeting rooms which can double as examinations or classrooms. Total space required 120sq m.	The College has a shortage of rooms suitable for the holding of many meetings, Board and Management, that are now an essential feature of the operation of any modern college.	Capital - The provision of these rooms could be combined with the extension of the Learning Resource Centre at Trowbridge Road. £50,000 if included in LRC scheme. Revenue - heating, lighting, furniture for meetings. Approximately 50 chairs/tables. Furniture £5,000. Revenue £1,000.	Lack of suitable rooms increases stress factors for staff - reduced effectiveness. Temptation not to hold/defer meetings increases pressure on existing accommodation. Risk factor - 2-3.	3	Within the next four financial years.

APPENDIX 4

Key comparators

Institution	Premises non-pay (2000-01) £000	Area m ²	Land & building net value (2000-01) £000	Dedicated Estates Manager	Cost of Capita condition survey identified work (excluding VAT/fees) £'000	Cost of required Disability Discrimination Act work (Capita) £000	Utilisation rate %
Aberdare College	256	5,570	4,046	✓	584	256	20
Barry College	856	20,207	9,380	✓	2,012	975	21
Bridgend College	698	43,723	12,150	✓	406	999	-
Coleg Ceredigion	275	8,783	4,083	✓	985	312	29
Coleg Glan Hafren	1,055	20,758	8,992	✓	1,303	800	-
Coleg Gwent	2,447	67,991	27,878	✓	4,052	3,005	21
Coleg Harlech WEA (N)	179	6,409	1,045	Director of Finance and Administration	1,045	642	-
Coleg Llandrillo	1,341	26,674	14,332	✓	2,146	807	21
Coleg Llysfasi	266	22,034	4,626	✓	1,638	524	29
Coleg Meirion-Dwyfor	662	22,963	10,530	✓	2,801	1,336	25
Coleg Menai	1,049	26,832	14,345	✓	2,978	1,583	37
Coleg Powys	1,185	27,823	8,423	Vice-Principal	730	968	27
Coleg Sir Gâr	1,215	58,475	25,570	✓	6,633	1,073	21
Deeside College	627	32,000	12,304	✓	3,002	717	21
Gorseinon College	350	12,230	4,405	✓	1,430	856	34
Merthyr Tydfil College	253	12,354	3,472	Vice-Principal	1,619	495	21
Neath Port Talbot College	1,232	32,893	12,064	✓	1,202	1,026	39
Pembrokeshire College	464	17,998	12,140	✓	851	344	-
Pontypridd College	1,128	32,000	10,296	✓	4,105	832	22
St David's Sixth Form Coll.	116	7,660	808	✓	730	186	58
Swansea College	1,220	27,203	16,763	✓	1,937	872	24
Welsh Coll. of Horticulture	240	16,552	2,530	✓	1,376	580	23
Yale College	937	34,608	18,521	✓	4,112	561	-
Ystrad Mynach College	424	12,738	9,720	✓	2,410	746	30
TOTAL	18,475	596,478	248,423	21	50,087	20,495	-

Source: Council, Capita Survey and National Audit Office Wales survey 2001