## Learning Estate Investment Programme Outcomes Based Funding Model Briefing Document

#### Introduction

The Scottish Government (SG) has an ambition of expanding opportunities for everyone in Scotland to succeed. Lifelong learning is a key strategic vision to help children, young people and learners of all ages reach their full potential. The buildings and spaces used to facilitate learning play a vital role in supporting this ambition. Since 2007, the Scottish Government and local authorities have invested around £5bn improving Scotland's learning estate. In September 2019, Scottish Government & COSLA published the new Learning Estate Strategy and the first phase of projects to benefit from the £2 billion Learning Estate Investment Programme (LEIP) were announced.

Following its management of the £1.8bn Scotland's Schools for the Future (SSF) programme, the Scottish Futures Trust (SFT) was asked to develop an outcomes-based approach that would support the delivery of the LEIP. The approach, which was collaboratively developed, has been approved by COSLA, SG and local authority representative bodies, with SG funding dependent on achieving outcomes in line with these key strategic objectives:

- New learning environments are built to a high quality and are well maintained over the long term
- Ambitious energy efficiency targets are achieved over the long term and contribute to net-zero commitments
- The investment supports digitally enabled learning and advancements in technology
- The investment creates new jobs and enables inclusive economic growth

The recently published Infrastructure Investment Plan sets out a clear vision for future infrastructure. Underpinning this vision are three themes: enabling net zero emissions and environmental sustainability; driving inclusive economic growth; and building resilient and sustainable places. The LEIP and the outcomes it has set align to the Scottish Government priorities for investment as outlined in the Infrastructure Investment Plan.

The funding for LEIP will be supported by future Scottish Government revenue commitments and will be measured within the self-imposed limit that total revenue funded investment will not exceed 5% of the total annual budget available.

This briefing document sets out a summary of the funding model, outlines the outcomes to be achieved, and explains the funding mechanism including the measurement and evidence processes and the timing of funding payments.

### Summary of the funding model

The principles of the outcomes-based funding (OBF) model, which has been developed
to support the delivery of the Learning Estate Investment Programme (LEIP), were
approved by COSLA Leaders in August 2019. The funding model mechanics were
subsequently approved by the LEIP programme board in March 2020. The funding
model is designed to uphold the principles of the co-produced <u>Learning Estate</u>
Strategy published in September 2019.

- 2. Local authorities and Scottish Government will jointly invest in a sustainable, suitable, digitally enabled, energy efficient learning estate which will support the delivery of a broad range of outcomes including inclusive economic growth. Local authorities will fund upfront the delivery of new (or refurbished) assets so that children and young people, educators and wider communities can benefit from the outcomes which this improved estate will enable.
- 3. Scottish Government funding will be provided to local authorities through an annual payment over 25 years to recognise the outcomes achieved.
- 4. The programme is based on the principle that Scottish Government and local authority funding is provided 50:50 with reference to an area and cost metric compliant notional cost for each project to support the achievement of the programme's outcomes.
- 5. The outcomes funded by Scottish Government are linked to the Learning Estate Strategy, the National Performance Framework and the priorities of the Infrastructure Investment Plan and support a well-maintained sustainable learning estate which is fit for the future.

#### Outcomes to be achieved

- 6. A series of measurable outcomes have been developed collaboratively between Scottish Government and local authorities. It is worth noting that these are not the only outcomes anticipated to be delivered through the LEIP but have been selected as measurable outcomes upon the achievement of which funding will flow.
- 7. The outcomes to be achieved align with the principles of the Learning Estate Strategy and fall into four broad categories:
  - Condition
  - Energy efficiency
  - Digitally enabled learning
  - Economic growth
- 8. If an outcome is not achieved in full, then the funding associated with that outcome will be adjusted accordingly.
- 9. The table below outlines how the outcome categories align to the Learning Estate Strategy guiding principles and describes the outcome to be achieved, along with the funding rates associated with each.

Category	Learning Estate Strategy	Outcome to be achieved	Outcome Funding Rate		
Category	Learning Estate Strategy Guiding Principle(s)  The condition and suitability of learning environments should support and enhance their function  The learning estate should be well-managed and maintained	Scottish Government's ambition is that no child should have to learn in a school that is in poor (C) or bad (D) condition. To help achieve this vision and to deliver a well-managed and maintained estate, local authorities must provide evidence, through the annual core fact return to Scottish Government that the facility is kept in condition A or B for a period of 25 years.  This is intended to be a binary funding condition. In recognition of the potential for survey issues to be identified, removal of funding would be suspended for one year to allow for rectification of any issues leading to a C condition rating. The funding would be reinstated, the next financial year, once it could be demonstrated that the facility was in A/B condition again.  If the building drops into condition C more than once during a five-year period, the condition funding element will be suspended without the one-year grace period, until the condition is rectified to A/B.	The funding for this outcome is based on benchmark FM rates, multiplied by the programme space standards and the number of pupils on a like for like basis.  FM/LC rates based on FY19/20 prices  Rate/sqm/year Facilities £16 Management Lifecycle £28 Total £44  The space standards used for the funding calculation are in line with that used for the programme. These are shown in the table in paragraph 16.		
		In the event of exceptional circumstances such as fire or flood resulting in the condition of the building being unable to be rectified to an A/B condition within 1 year of becoming a C, or resulting in the facility dropping into condition C for a second time, this will be reviewed on a case-by-case basis between the local authority and SG.	The space standards will be adjusted to take cognisance of additional like for like facilities such as community facilities, which require to be maintained.		

Category	Learning Estate Strategy Guiding Principle(s)	Outcome to be achieved	Outcome Funding	Rate
Energy Efficiency	Learning environments should be greener [and] more sustainable	Scottish Government has declared a global climate emergency and therefore it is essential that all new facilities are energy efficient to help Scotland deliver its	Size of Facility	Energy Outcome £/pupil
		ambitious net-zero goals. A programme energy target of 67/kWh/sqm/annum for core hour/facilities use has	Campus*/400 + SS/>2 stream PS	3,625
		been set.	1-2 Stream PS and	4,750
		In line with the programme energy target, authorities	<= 400 SS	
		must provide evidence that the target of	ASN**	23,750
	1	67/kWh/sqm/annum for core hour/facilities use is	*If total campus	numbers for the
		achieved.	SS&PS elements	are less than a 2
			stream PS, discret	on over rates may
		Core Facilities	be used.	
	1	To provide consistency of definition across the variety of	· ·	vary depending on
		projects in the programme, the following facilities are excluded from the total energy consumption target:	provision being pro	ovided
		Dedicated community/health facilities		
		Swimming pool/hydrotherapy pool     Sylvanial or and lighting		
		External sports flood lighting     Draduction life has (soming multiple sites)		
		<ul><li>Production kitchens (serving multiple sites)</li><li>Data centres (serving multiple sites)</li></ul>		
		, , ,		
		<ul> <li>Electric Vehicle Charging Points</li> <li>Other (e.g. specialist vocational/industrial facilities – councils to propose)</li> </ul>		
		Within the remaining core facilities, all energy uses relating to the building and users are included in the		

Category	Learning Estate Strategy Guiding Principle(s)	Outcome to be achieved	Outcome Funding Rate
		energy target. The target includes all used energy regardless of source e.g. energy provided from renewable sources is included in the same manner as gas or electricity from the mains or grid.	
		Core Hours  To recognise that councils and individual schools have different operational hours and term dates, the target is anticipated to cover all energy use during a bank of 2000 operational hours per annum. If the facilities are operational for more or less hours then a pro rata approach should be taken to compare against the target.  Building use purely for cleaning, maintenance or security tasks will not be considered as operational hours.  This is recognised as being an ambitious target, therefore it is not anticipated that this will be a pass/fail outcome for funding but that a sliding scale will be attached. The sliding scale is grouped into ranges with a corresponding alteration to funding depending on which range is demonstrated as being achieved:	

Category	Learning Estate Strategy Guiding Principle(s)	Outcome to be achieved		Outcome Funding Rate
		Energy Consumption kWh/sqm/p.a.	Energy Funding %	
		A 67-83	100%	
		B 84-99	90%	
		C 100 - 115	60%	
		D 116 -130	30%	
		E 131+	0%	
		use of energy use – no funding outcome.  The funding for the energy ou year 3 of operations to allow a in use energy consumption ar behaviour. At the end of year 2 measured and this will deterband.	tcome will commence in 2-year period to monitor nd optimise systems and the in-use energy will be	
		Following the initial reporting of end of year 2, the energy outco 5 years in years 7, 12, 17 and average is what should be reported the change of performance measurement, there will be a allow Councils to rectify the change original target of maintains.	me will be assessed every 22. The rolling five-year orted. In the event of a from the previous a 1-year grace period to inge and bring back to the	

Category	Learning Estate Strategy Guiding Principle(s)	Outcome to be achieved	Outcome Funding	Rate
		performance, before any required changes, to funding are implemented.		
Digital	Learning environments should be digitally enabled	Digital technology is an evolving and fast-growing area and one that is becoming more prevalent in every-day learning as digital learning and teaching strategies	Size of Facility	Digital Outcome £/pupil
		continue to develop.	Campus*/400 + SS/>2 stream PS	2,875
		To ensure facilities are future proofed and able to continue to support high quality digital learning and teaching, regardless of technology advancement, the	1-2 Stream PS and <= 400 SS	3,765
		local authority must provide evidence that the underlying facility infrastructure is capable of supporting 1Gbps. This underlying infrastructure should extend to at least one point within every learning and teaching space throughout the facility.  If the cost of providing the initial connection speed to the facility is prohibitively expensive due to geographic location or it is not physically possible yet in that location, this can be reviewed on a case by case basis to	*If total campus SS&PS elements a stream PS, discreti be used. **ASN rates may of provision being pro	on over rates may vary depending on
Economic	Investment in Scotland's	establish an appropriate solution.  Investment in infrastructure is synonymous with	Size of Facility	Economic
Growth	learning estate should contribute towards	economic growth. The Construction Industry Training Board (CITB) has published benchmarks on how many	Size of Facility	Outcome £/pupil
	improving learning outcomes and support	new jobs should be supported from investment in the education sector.	Campus*/400 + SS/>2 stream PS	1,000

Category	Learning Estate Strategy	Outcome to be	e achieved				Outcome Funding	Rate
	Guiding Principle(s)							
	sustainable and inclusive						1-2 Stream PS	1,310
	economic growth	The authority	The authority will require to collate and provide				and	
		evidence that	they hav	e met the	target for	jobs	<= 400 SS	
		supported as	per the CIT	B benchmarl	ks published	July	ASN**	6,550
		2017. The num	-	• •	•		*If total campus	numbers for the
		the size of inve	estment, in t	terms of cons	struction valu	ie:	SS&PS elements	are less than a 2
			1 1	Ţ			stream PS, discret	ion over rates may
		Size of	£1-3.5m	£3.6-6m	£6.1-10m		be used.	
		Investment					•	vary depending on
		Number of	1	4	5		provision being pro	ovided
		Jobs						
		Size of	£10.1m-	£15.1-	£20.1-			
		Investment	15m	20m	30m			
		Number of	10	11	12			
		Jobs						
		Size of	£30.1-	£40.1-	£50.1-			
		Investment	40m	50m	60m			
		Number of	14	15	18			
		Jobs						
		Size of	£60.1-	£70.1-	£80.1-			
		Investment	70m	80m	90m			
		Number of	19	19	21			
		Jobs						
		Size of	£90.1m-					
		Investment	100m					
		Number of	22					
		Jobs						

Category	Learning Estate Strategy Guiding Principle(s)	Outcome to be achieved	Outcome Funding Rate
		For the avoidance of doubt size of investment figures will be rounded down to 1 decimal place when determining the number of jobs.	
		Funding will be available if the relevant target is achieved. If this is not achieved in full, funding will be adjusted accordingly. e.g. if 12 jobs is the target but only 11 are evidenced as being achieved then 11/12ths of the funding for that outcome will be available.	
		This outcome could be multi-faceted and also provide a measure to ensure training places are supported and learner engagement is embedded in the design and construction process through site visits and work experience placements.	
		It is proposed that because the achievement of this outcome will happen in the design and construction phase of the project that the funding for it, if achieved, is received in the first two years of operations, rather than be extended over the 25-year period.	

### **Funding Mechanism**

- 10. The local authority is responsible for the upfront cost of any enabling infrastructure (e.g. a new learning facility) required to deliver the agreed outcomes.
- 11. The SG funding for the outcomes enabled through the new infrastructure, is primarily based on how many 'like for like' pupils, on a capacity basis, will be taken out of poor/bad (C/D) condition facilities, to now be taught in modern high-quality facilities capable of delivering the funded outcomes.
- 12. Each of the four outcomes has a value attached to it, as detailed in the above table which is comparable over facility type. Further details are provided in the paragraphs below.
- 13. The funding linked to the achievement of the condition outcome has been informed by data collated from benchmark projects. This information has been used to establish benchmark funding rates for Facilities Management (FM) and Lifecycle (LC). These rates are considered adequate to be able to maintain the facility in A/B condition over a 25- year operational period.

#### 14. The FM and LC rates used are:

	Rate/sqm/year
Facilities Management	£16
Lifecycle	£28
Total*	£44

<sup>\*</sup>These rates include for internal redecoration, grounds maintenance, pest control and window cleaning

- 15. The condition funding rates to support the maintenance of the facilities have been set at 2019/20 prices. It is recognised that the cost of maintenance will inflate over time. An annual inflationary uplift of 2.5% has been included. This will derive a total nominal cost over the 25-year period, which will be smoothed to provide a fixed annual condition outcome payment.
- 16. The condition funding rates are applied on a per pupil basis and take cognisance of the fact that learning facilities require different space depending on their size to deliver the outcomes, such that the condition rates will be multiplied by the number of like for like pupils on a capacity basis and then multiplied by the relevant space standard.
- 17. The space standards used in the calculations are in line with the space metrics approved for the programme, as per the table below:

Second	ary School	Primar	y School	ASN		ELC	
No.	Sqm/pupil	No.	Sqm/pupil	No.	Sqm/pupil	No.	Sqm/pupil
Pupils		Pupils		Pupils		Pupils	
<400	13	<231	8.5	Any	30-33	Any	5.8
			(reduces				
			to 8 if part				
			of all				
			through				
			campus)				

401-	12	232-	7.5		
800		463	(reduces		
			to 7 if part		
			of all		
			through		
			campus)		
801-	11	464+	6.5		
1200			(reduces		
			to 6 if part		
			of all		
			through		
			campus)		
1201+	10				

- 18. These space metrics will be adjusted to take cognisance of additional like for like facilities such as community facilities, which require to be maintained.
- 19. The funding rates associated with the other outcomes reflect investment in the overall enabling infrastructure required to achieve these outcomes and are scaled to recognise the value of the outcome to be delivered.
- 20. The funding rates for the energy efficiency, digital and economic growth outcomes are set out in the table below. These rates are fixed per pupil, on a "like for like" capacity basis, for schools completing in FY22/23 and will be indexed at 2.5% for facilities completing in future years.

Outcome	Campus/800 +	1-2 Stream PS and	ASN*
	SS/2+ stream PS	<= 400 SS	
Energy Efficiency rate/pupil	£3,625	£4,750	£23,750
Digital rate /pupil	£2,875	£3,765	£18,825
Economic Growth rate /pupil	£1,000	£1,310	£6,550
Total/pupil	£7,500	£9,825	£49,125

<sup>\*</sup>ASN rates may vary

- 21. These rates will be reviewed periodically to ensure they still reflect market conditions and can support delivery of the outcomes.
- 22. The rates will also be reviewed on a specific project by project basis, if the cost of delivering and achieving the outcomes is considered to be higher for a narrow set of project specific reasons such as location.
- 23. The condition funding rate plus the other outcomes funding rates will provide a total funding package for the project.
- 24. The funding will be received over a 25-year period based on evidence that the outcomes have been achieved.
- 25. If one outcome is not achieved, it will only be this proportion of the funding that is not received.

26. SFT will develop exemplar calculations and work with each authority to demonstrate how the funding package for outcomes (on the assumption all outcomes are achieved) is in line with the 50:50 funding agreement that was reached between SG Ministers and COSLA Leaders.

#### Measurement/Evidence

27. Evidence of meeting the condition outcome will utilise current annual reporting to Scottish Government by local authorities. The measurement of the achievement of the other outcomes will be based on input from local authorities at appropriate times as agreed between Scottish and Local Government. Evidence will be sought as follows:

#### Year 1:

- Providing confirmation and evidence that the facility is in Condition A/B as part of the handover of the new facility.
- Initial measurement relating to the energy outcome (this will not form the basis of funding).
- Providing confirmation and evidence that the underlying facility infrastructure is capable
  of supporting a minimum a 1Gbps service to at least one point in every learning and
  teaching space throughout the facility (this releases the 25-year flow of annual outcome
  payments).
- Providing confirmation and evidence of the number of new jobs supported by the construction phase of the project (this releases the outcome payment which is made in years 1 and 2).

No further evidence for the digital or economic growth outcomes will be sought in future years.

#### Year 2-25:

- Providing confirmation as part of the annual school estate statistics data return that
  the facility is in Condition A or B (or equivalent if the measurement method changes
  over time).
- At the end of year 2 and then on a rolling 5-year basis, in years 7, 12, 17 and 22 providing confirmation and evidence of the actual delivered energy in kWh/sqm for that year for core hour/facility use to enable calculation of the funding relating to that outcome, which will flow from year 3 onwards.

### **Timing of funding**

- 28. It is anticipated that funding from Scottish Government will be provided on a 6 monthly basis and commence in the March or September immediately following construction completion once the achievement of the first outcome(s) has been evidenced.
- 29. Scottish Government funding will be paid separately from the overall Revenue Support Grant.

### **Frequently asked Questions**

30. Appendix i) – Frequently Asked Questions contains questions and answers of some frequently asked questions that have been received to date.

For further details in relation to the LEIP outcomes-based funding model please contact:

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## Appendix i) - Frequently Asked Questions

#### Q. How has comfort been obtained over the mechanics of the model?

A. The model has been developed by SFT in conjunction with SG, COSLA and local authority partners, with appropriate sign off and approval from the Programme Governance Board, members of which represent the public bodies noted above. Scottish Ministers and Scottish Government officials have reviewed the model and consider it to be within the relevant budgetary frameworks set by Treasury.

# Q. How do local authorities obtain certainty over long terms budgets if there is the potential for funding to move on a yearly basis?

A. At commercial close for the project a grant award letter will be issued to the local authority, outlining the yearly revenue payments over the 25-year operational period if all outcomes are achieved fully. The condition and energy outcome will continue to be monitored throughout the life of the project. If there is a dip in performance from the expected outcome there is a one-year grace period before funding is affected. As such there will always be a one-year period for local authorities to plan future budgets.

### Q. Does the model run the risk of creating an industry of reporting for local authorities?

A. The digital and economic outcomes will only be measured once at project handover. The condition outcome will be reported through annual core facts returns to SG, which are collected on a yearly basis. The frequency of energy target reporting has been robustly discussed with local authority networks and COSLA and is considered appropriate given the current climate change emergency and need to ensure continued performance of buildings in relation to energy efficiency.

## Q. Will local authorities have to establish a long-term maintenance contract to fulfil the condition outcome?

A. The local authority is best placed to decide how they maintain the condition of their learning estate. There is no requirement from the programme to establish a project specific long term maintenance contract although some authorities may choose to do this.

## Q. The energy outcome is said to be ambitious, how achievable is the energy target?

A. This energy target for the programme is intentionally ambitious, to ensure the facilities delivered through LEIP are as energy efficient as possible to align with national climate change ambitions. The target was derived from an assessment of in-use energy consumption from operational schools across the UK and internationally and rebased to the coldest, highest point in Scotland so that it should be achievable across the country. It is seen as being challenging but has been proven to be deliverable based on the benchmark projects. The cost metric the was appropriately uplifted to include for the additional programme requirements when compared to earlier investment programmes.

There has been extensive engagement around the energy target for the LEIP with consultants, contractors, local authorities and COSLA. There was broad consensus that the target although challenging, was achievable and that it was correct to have an ambitious target.

## Q. The energy target focusses on the energy efficiency of the buildings, does that mean the facilities will be consistent with SG net zero ambitions too?

A. LEIP focusses on reducing the in-use energy demand from the buildings. The programme team are working with colleagues to ensure alignment with the Net Zero Carbon Standard for Public Sector Buildings. Some of the LEIP projects are acting as pathfinders to help inform the standard.

# Q. Technology is always changing - how will the digital outcome be relevant by the time some of the LEIP projects are built?

A. The digital outcome focusses on the underlying digital infrastructure to ensure appropriate connection speed throughout the learning spaces. The underlying digital infrastructure is agnostic of technology and is able to support the evolving changes.

# Q. The economic outcome only focusses on one aspect of economic growth – supporting of new jobs. How are other aspects being captured by the programme?

A. This outcome was considered important and is also measurable to enable funding to be awarded. All authorities must comply with the sustainable procurement duty, meaning authorities will have to think how each project can improve the social, environmental, and economic wellbeing of the area in which it will operate. The programme will capture community benefits information across the projects.