Learning Estate Investment Programme (LEIP) – Phase 3

Summary and Recommendations

During 2019, Leaders approved a new Learning Estate Strategy, the associated investment programme and governance arrangements. Updates have then been provided annually, with a report in March 2022 including an overview of Phases 1 and 2 progress and an outline of the proposed development plan for Phase 3. This paper now updates Leaders on Phase 3 and asks for ratification of changes being proposed in relation to programme delivery targets. These changes address the transition to net zero and shared ambitions around climate change, and seek to deliver healthier learning environments, reflecting on knowledge gained from the COVID pandemic.

Leaders are asked to:

  i. Ratify changes in relation to programme delivery requirements and targets;
 ii. Note the further development work that is required with professional associations to process the financial modelling implications of these changes;
iii. Agree that a short update on the financial modelling be brought back to Leaders in Sep/Oct, before Councils are asked to submit their Phase 3 proposals;
 iv. Note the assurance work being undertaken across the programme to understand implications of wider market conditions and inflationary pressures.

References

Previous reports on Learning Estate Strategy/ Investment Programme**:**

- 22-03-25 Leaders, Item 4 Learning Estate Investment Programme (LEIP) Update (paper LD/22/044)
- 21-04-30 Leaders, Item 4 Learning Estate Investment Programme (LEIP) Update (paper LD/21/69)
- 19-08-30 Leaders, Item 7 Learning Estate Strategy Investment – Programme Governance
- 19-06-28 Leaders, Item 10 Learning Estate Strategy – Investment Programme and Funding Model
- 19-04-26 Leaders, Item 7 Scotland's Learning Estate Strategy
- 19-04-05 Children and Young People Board, Item 12
- 19-02-08 Children and Young People's Board, Item 11

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Learning Estate Investment Programme – Phase 3

Purpose

1. This report provides Leaders with an update on Phase 3 of the Learning Estate Investment Programme (LEIP) and asks Leaders to ratify changes to the programme delivery requirements and targets.

2. It also assures Leaders that further work is being undertaken across the programme to understand any implications of wider market conditions and inflationary pressures.

Background

3. In September 2019, Scottish Government & COSLA published the new Learning Estate Strategy 'Connecting People, Places and Learning'. The Strategy's vision is that the "*learning estate supports excellence and equity for all*" and is to be achieved by taking a more holistic approach across Early Learning and Childcare, Schools, FE/HE and communities, with 10 guiding principles applying across the whole estate linked to the wider 'place principle'.

4. To support delivery of the Strategy, Leaders also approved the Learning Estate Investment Programme (LEIP) in 2019. The £2bn investment programme will be jointly funded between Scottish Government and Local Government. 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 (through capital investment). Scottish Government revenue funding will then be provided to local authorities through an annual payment over 25 years to recognise the outcomes achieved. Full details of the investment programme were provided for Leaders in April 2021 (including a link to key programme documents on the Scottish Futures Trust (SFT) website).

5. In March 2022, Leaders were provided with an update on Phases 1 and 2. In summary, there are 37 projects across these phases, which should see around 34k pupils benefit, and with an indicative Scottish Government budget of £705m. This leaves £295m for Phase 3, and aspirations to ensure that a further 16k pupils benefit, to meet the Programme's target of 50k pupils. In March, Leaders were informed that any substantive amendments to either the selection process or the terms and conditions for Phase 3 of the programme would be brought to this August meeting for ratification.

What's changing?

6. The LEIP Board, co-chaired by Scottish Government and COSLA's Director of Membership and Resources, has been discussing the shape of Phase 3 and what, if any, changes should be made to the outcomes to be achieved by the programme. The

outcomes for Phases 1 and 2 fell into four broad categories - condition; energy efficiency; digital connectivity; and economic growth. Since these outcomes were developed in 2019, there have been huge advances in climate change knowledge and technology, as well as learnings from COVID e.g. around ventilation and hygiene measures.

7. Working in close collaboration with Local Government professional associations, a number of updates to the LEIP terms & conditions were proposed for Phase 3 projects and agreed as both appropriate and necessary given the changes in the broader context. A fifth outcome - embodied carbon - was proposed in addition to maintaining the existing four.

8. Changes to the delivery requirements include increasing the digital connectivity and management of the learning estate, improving its infection resilience, making greater use of the outdoors through covered outdoor spaces, increasing the supply of electric vehicle charging points and using a zero emissions heat source. These changes future proof the learning estate by responding to net zero ambitions, improving connectivity, and enabling healthier learning environments.

9. An embodied carbon delivery target of 600 kgCO2e/m2 is proposed for all projects. A proportion of funding will be assigned to achieving this outcome. If the target is met, 100% of the embodied carbon funding will be awarded, with a sliding scale agreed for funding if projects do not meet the target. The target and funding sliding scale has been agreed with all Local Government professional associations. This approach follows the same principles as the outcome funding for energy efficiency. Where a project is at least 50% refurbishment, the project will be deemed to have achieved the embodied carbon target.

10. At the Board in June, the outcomes of this work were discussed. The Board agreed that, subject to ratification by COSLA Leaders, the proposed changes, including the fifth outcome for Phase 3 around embodied carbon, be added.

11. To allow Councils the time to refresh their Learning Estate Strategies and develop proposals for Phase 3, the Cabinet Secretary for Education and Skills wrote to all 32 Councils on 1st July to invite proposals for Phase 3 to be submitted by 31st October. The Cabinet Secretary expects to be able to make an announcement of successful projects by the end of this calendar year.

12. No substantive changes are being proposed to the selection criteria, from those used for Phases 1 and 2. Improving condition and/or responding to population growth will still form the basis for selection. The flowchart for assessment has been updated in conjunction with Local Government professional associations. Local authorities are asked to demonstrate the robustness of their proposals and the context within which they sit across the wider learning estate, as well as reflecting upon earlier capital investment to ensure successes and lessons learned are captured and built upon.

13. All councils are aware of the criteria. The need for political and financial approval at a local level is key.

14. Board members will be involved in assessing all applications during November/early December so that Ministers can decide on the Phase 3 projects to be taken forward.

15. A briefing session for local authorities, which will include room for Q&A, is being held on Tuesday 23rd August.

Financial Implications of changes

16. To meet the updated requirements for Phase 3, additional investment is needed. The cost metrics for Phase 3 projects have been increased by approximately 10% to reflect this need. As some of the increase relates to additional net zero requirements, discussions are ongoing within Scottish Government to explore the opportunity to align related budgets.

17. A central programme contingency has been held across the LEIP programme since inception to deal with any programme level risks and issues that may arise. This mirrors the approach successfully used in the Scotland's Schools for the Future Programme. Whilst the changes proposed do increase the underlying expected spend, an appropriate programme level contingency of 10% has been retained within the overall programme budget for projects in development.

18. Local Government colleagues, through the Board, have continued to highlight that in the current context, and now with proposed changes to the outcomes, the target of benefiting 50k pupils may be challenging. Given inflationary and other pressures, the programme team is working closely with councils to understand the makeup of costs and provide the Board with assurances over programme cost metrics. Costs continue to be kept under close review.

19. SFT has commenced work to update the financial model for Phase 3 projects to reflect the new embodied carbon outcome. This work is being undertaken with the Directors of Finance section, in line with development work on earlier phases. Leaders will be updated on the outcome of the working group's activities in September/October ahead of the Phase 3 submission deadline.

Programme Risks

20. The Board reviews a Risk Register every 6 months, with all risks assessed for *impact* and *likelihood* in line with guidance and scored accordingly. Alongside the risk register, the Board is provided with a paper to highlight changes that have been made to any risks and to draw the Board's attention to high/very high risks.

21. Periodic risk workshops are also held with Board members and representatives, to specifically focus on both the short and long term risks to the overall programme.

22. As discussed at the last Board in June 2022, the main risks to the programme have been identified as inflationary pressure; achievement/ambition of energy targets; Local Government budgetary pressures; and ongoing impacts of COVID.

23. Since the last meeting of Leaders, the Cabinet Secretary for Finance and the Economy has confirmed the Scottish Government intention to undertake a Review of Statutory Capital Accounting. Both SOLACE and Directors of Finance have significant concerns about this review, not least because of the destabilising impact it will have on Council capital investment plans between now and its conclusion during late 2023, at a time when Local Government has a crucial role in ensuring the viability, stability, and

sustainability of Scotland's economy, especially as we recover from the impacts of COVID and support a just transition to Net Zero.

24. COSLA and Directors of Finance have made representation to express their concerns and to ensure their involvement in the review, highlighting the potential impact on the ability of Councils to support Scottish Government priorities, especially with regards to schools and housing. The LEIP Board has yet to consider the implications of this new review and will do so at its meeting in September.

Next Steps

25. COSLA will continue to co-chair the LEIP Board with Scottish Government, and the Board will be the vehicle by which a range of key Local Government stakeholders can continue to be involved in programme overview and development.

26. The programme team will work with Directors of Finance to ensure the Outcomes Based Funding approach, in particular the financial model which supports it, is updated to reflect the proposed changes and agreed with Local Government stakeholders.

27. Development work will continue at a local level as Councils prepare Phase 3 submissions ahead of the end of October deadline.

28. The programme team will continue to work with Councils delivering Phase 1 and 2 projects to ensure costs are fully understood and any necessary programme level steps proposed for consideration by the Board.