

## 19. The governing body and matters relating to the estate

### Introduction and aim

The provider's estate typically consumes significant amounts of capital expenditure, and forms the large non-pay item in most provider's revenue budgets. Capital expenditure to maintain or improve the asset base, plays an important role in attracting staff and students to a provider. A provider's estate, its built environment, is an area of 'fundamental concern' to the governing body and one where it is expected to take all final decisions.

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### 1. A matter of fundamental concern

Capital expenditure in relation to a provider's estate often involves large-scale projects, which are costly, mission critical and may present significant operational challenges. They are 'matters of fundamental concern' on which the governing body is expected to take all final decisions<sup>1</sup>.

### 2. Review of estate matters

Detailed examination of estate matters may be delegated to one of the governing body's standing committees, or in the case of a major development, to a specially constituted 'ad hoc' committee. Such a committee may be established if, for example, there is a plan to undertake a major campus redevelopment or relocate to a new campus.

### 3. Governing body committees

A number of providers choose to have an estates committee, which focuses on the provider's estate. Alternatively, some providers include estate matters as part of the remit of a 'Finance and Resources', 'Finance and General Purposes' or 'Planning and Resources' committee. Where a standing committee or 'ad hoc' committee looks at matters relating to the estate, they operate under delegated authority and report to the governing body, who is ultimately responsible for decision making.

### 4. Rationale for an estates strategy

The timelines for achieving significant changes to a provider's estate are often lengthy, and involve major financial expenditure. To enable a provider to proactively address known and emerging needs with regard to its built environment, a clear and detailed forward-looking estates strategy is required.



## 5. Estates strategy

The estates strategy is a sub-strategy of the provider's strategic plan, and should detail how actions with regard to the built environment support and enable the achievement of the provider's strategic plan and objectives. An estates strategy is likely to be underpinned by an assessment of the provider's existing built environment and its future needs. It will typically detail what actions and investment is required in order to deliver the planned built environment. This may be based upon a master plan for a campus. Estate strategies typically cover a five-year period, and once adopted, should be regularly reviewed to ensure they remain appropriate.

## 6. Links to other strategies

The estates strategy should support the provider's academic plans, including planned changes to student numbers, subject/course portfolio, modes of attendance and levels and types of research activity. The estates strategy may seek to address buildings in poor condition or that have become functionally unsuitable. It may also seek to relocate departments or professional services to improve operational efficiencies. The estates strategy will also need to reflect affordability and the ability of the provider to finance the strategy. If sufficient funding is not available, the plans associated with the estates strategy may need to be scaled back.

## 7. Planning consent

The estates strategy will need to take account of the views of the local planning authority the extent to which the desired changes require planning permission, and whether this is likely to be secured. Depending on the provider's location and relationship with the planning authority, securing planning consent may be a significant hurdle and require careful negotiation with planning officers. To gain planning consent, improvements to travel plans may be required, explaining how any increase in movements arising from a new build will be managed to minimise an increase in road traffic, for example.

## 8. The importance of the built environment

A high quality and functionally suitable built environment increases the attraction of the provider as a place to work or study. Conversely, unsuitable or a poor quality built environment will do the opposite. Providers should be mindful of the need to make a holistic assessment of their built environment. For example, the availability of good quality residential accommodation, particularly for first-year

undergraduates and international students, may be an important factor in helping to secure the provider's planned student numbers. Similarly, for staff the provision of good quality offices, staff common rooms and catering facilities may be important.

## 9. Estates Management Record

Most 'public' providers in the UK annually submit an Estates Management Record (EMR) return<sup>2</sup>. This includes a detailed breakdown of physical space, its condition, functional suitability and the provider's environmental performance. EMR data is collated by [Higher Education Statistical Agency](#) (HESA).

## 10. Comparative data

EMR returns are collated by HESA who publish data on [How do HE providers manage their estates?](#) The data enables high-level comparisons to be made between the space envelope of different providers. However, given the diverse nature of the providers and the often very different characteristics of their estate, benchmarking has to be used with care, to ensure any comparisons are meaningful<sup>3</sup>.

## 11. Condition surveys

To assess the state of repair, functional suitability and extent to which expenditure is required to improve the condition of its buildings providers periodically undertake building stock condition surveys (typically, say, every three to five years). Governors should consider returns from the condition survey, and whether there are matters which require urgent attention.

## 12. Carbon reduction

Providers should consider their environment footprint, and take steps to reduce the amount of carbon they produce. Encouragement to cut energy consumption has come from schemes introduced by national funding agencies and bodies, changes to building regulations and rising energy prices. Action to reduce energy usage is also occurring at a time when there is the need for facilities (e.g. libraries, specialist workspaces) to be open for longer hours to support students. Energy-saving measures are often necessary, in part, to contain increases in the consumption of energy and mitigate increases in cost.



### 13. Investment in energy efficiency

The general expectation is that over the longer-term energy prices will continue to rise, giving providers the incentive to reduce further energy usage. Typically, this involves constructing more energy efficient buildings, and seeking to improve the energy efficiency of existing buildings through refurbishment and investment in energy-saving devices. To reduce consumption and running costs, capital investment is normally required.

### 14. Recurrent expenditure

The costs of running (e.g. heating and lighting) and maintaining (e.g. repairs and minor works) the built environment are significant and typically form the largest category of non-pay expenditure within a provider's budget. This emphasises the role of Governors keeping an oversight of the costs of running the estate, and looking for evidence that management is taking steps to reduce the consumption of energy.

### 15. Repairs and maintenance

Sufficient and timely repair and maintenance is necessary to ensure the provider's building stock remains in a good condition. In times of financial pressure, providers may be tempted to defer expenditure on repairs and maintenance. If continued for any length of time, such a policy will result in a backlog of maintenance and repair, eventually impairing the asset base. Governors should seek assurance that expenditure on repairs and maintenance is sufficient to ensure the asset base remains in good condition.

### 16. Procurement

In order to achieve value-for-money, providers will use their buying power when contracting with a supplier of energy and other services. When existing contracts come up for renewal, providers have the opportunity to undertake 'market testing', that is, test the terms and conditions on which different suppliers would be willing to supply a service. Should a provider belong to one of the higher education purchasing consortiums, they may well select from the list of suppliers with whom the consortium has already agreed prices<sup>4</sup>.

### 17. Past investment by the sector

Investment in the built environment has increased over the past decade, leading to improvements to the condition and functional suitability of buildings, and a reduction in the age of the building stock<sup>5</sup>. The continuation of this strategy will depend on the financial resources at the disposal of providers.

### 18. Future investment

As the level of capital funding provided from public funds to providers in England has been reduced and is expected to remain significantly below historic levels, providers are now required to use either internal resources or to borrow resources to finance capital expenditure on their estate.

### 19. Funding the investment

The ability (and the cost) of providers to borrow funds depends on the sentiment of lenders towards the HE sector, together with an assessment of the individual provider's position and their ability to service any additional debt. The wide variation of financial performance and levels of debt between providers means that the ability of an individual provider to acquire and service additional debt varies.

### 20. Lenders' assessment of risk

To date the HE sector has generally been viewed by the financial sector as low risk. Not least because of the prevailing view that if a public higher education provider were to get into financial difficulty, public funding would be made available to support the provider. This assessment has recently been questioned by the Chair of the Office for Students, who has suggested that failing institutions will not, in future, be bailed-out by public funds. If the perceived risk of lending to a provider increases, then providers may find their ability to borrow more difficult, especially beyond shorter periods of time, and/or paying a higher rate of interest.

### 21. Conclusions

Investment in, and maintenance of, the built environment is an important area for the governing body to give attention. The scale of the investment required to make changes is typically large and has the potential to contribute to the competitive position of the provider. Consequently, it is an area of high importance and one on which the governing body needs to focus.



## 22. Questions to consider

- Q Has the governing body approved an estates strategy?
- Q Are the links between the strategic plan and the estates strategy clearly set out?
- Q How is the implementation of the estates strategy monitored?
- Q How frequently is the estates strategy reviewed?
- Q Is the level of planned capital investment in the physical environment sufficient to meet the provider's strategic aspirations?
- Q How will any refurbishment, new construction or land acquisition be funded?
- Q How energy efficient is the provider? Are there plans to reduce the consumption of energy?

## End notes and further reading

- <sup>1</sup> Committee of University Chairs, [The Higher Education Code of Governance](#), Revised June 2018, p.11.
- <sup>2</sup> Return of most of the data is optional for higher education providers, although in practice the majority do provide data in each year of collection. There are a number of mandatory data items for providers in England, Wales and Northern Ireland that must be returned. The entire collection is optional for HEPs in Scotland. See HESA, [Estates management record 2017/18 – Introduction](#).
- <sup>3</sup> The Higher Education Estates Management report published annually by the Association of University Directors of Estates (AUDE), to which many providers are members, offers providers detailed data from which to make comparisons. The data contained in the report is based on the returns made to HESA.
- <sup>4</sup> There are a number of higher education purchasing consortiums. For example, the [Higher Education Purchasing Consortium for Wales](#) and a number of regional groups in England, including the [North Western Universities Purchasing Consortium](#) and the [Southern Universities Purchasing Consortium](#).
- <sup>5</sup> See, for example, [Executive Summary of the AUDE Higher Education Estates Management Report 2018](#), pp.3-4.

