

Financial Transactions Programme

- To update the Board on progress with the FY 2019-21 Financial Transactions programme
- To agree recommendations on the outcomes for FY 2019-20
- To invite discussion on the arrangements for FY 2020-21 and beyond.

Recommendations

- Agree to the recommendations of the Capital Decision Point Committee to:
 - make offers of funding for the 16 projects listed (the University of Stirling proposal already having been approved); and
 - delegate authority to the Chief Executive to finalise negotiations and amounts up to the amounts stated in the annex (noting that ten projects exceed the Chief Executive's delegated authority limit of £1m).

Financial implications

- The programme will involve drawing down and deploying Financial Transactions of up to £59,514,000 in FY 2019-20.
- The funding will be repaid by making reductions in the payments to the institutions involved, on schedules agreed with the institutions.

Financial Transactions Programme FY 2019-20 and FY 2020-21

Purpose

1. This paper invites the Board to note progress on the FY 2019-21 Financial Transactions programme, to agree recommendations on the outcomes for FY 2019-20 and to discuss the arrangements for FY 2020-21 and beyond.

Background

2. This is the third year in which SFC is deploying Financial Transactions, which are essentially Treasury-backed loans to universities. The FY 2019-21 Programme is aimed at supporting carbon reduction projects and more general estates developments which improve the learner experience. The programme aims and criteria are set out in full at Annex A.
3. The interest rate on the loans is 0.25% per annum. Repayments can be up to 10-15 years for invest to save projects, and up to 20 years for more general estates development projects.
4. The Capital Decision Point Committee considered a paper on the Financial Transactions programme at its meeting in January 2020, and agreed to support the recommendations on proposals set out in Annex B.

Programme aims and budget

5. The planned aims for the Financial Transactions programme FY 2019-20 and FY 2020-21 are to:
 - significantly improve the learning experience (modernising spaces for learning and addressing backlog maintenance)
 - improve utilisation and create collaborative spaces
 - significantly reduce the sector's carbon footprint (through energy efficiency measures).
6. In pursuit of these aims we seek to achieve economic impact and catalyse additional sources of funding where possible.
7. SFC appointed QMPF to manage the estates development strand (with a provisional allocation of £40m) and Salix Finance to manage the carbon reduction strand (with a provisional allocation of £19m). This involves working with the institutions to develop their proposals, due diligence reviews, and advising SFC on prioritisation. QMPF and Salix will also monitor the projects and report to SFC on implementation during the early years of the programme.
8. Expressions of interest were invited in May 2019, and full proposals in August.

Thirty-three expressions of interest were received. QMPF and Salix worked with the institutions to develop these into full proposals. Twenty-one full applications were received.

Assessment process

9. QMPF and Salix produced recommendations on the proposals and these were considered at a SFC panel meeting on 3 December 2019. The panel comprised staff from:
 - QMPF LLP
 - Salix Finance
 - Scottish Futures Trust
 - Faithful and Gould
 - SFC Executive.
10. In assessing the proposals the panel considered the following factors:
 - The extent to which the proposal met the programme criteria
 - Readiness to proceed
 - Ability to deploy the funding within the allowed timescales
 - The institution's existing borrowings and ability to repay the loan
 - The desirability of the programme in terms of wider benefits across the sector.
11. Seventeen proposals were selected as priorities for funding by the Panel (see Annex B). The carbon reduction budget was slightly under-subscribed, with bids totalling £17.57m. By deploying the remaining funding from this strand and including the repayments from previous programmes (£4m) to the estates development strand, we are able to offer support for all 17 projects at the levels requested, potentially offering a total of £59,513,519 to these projects.
12. Ten of these involve loan funding of over £1m, and therefore require specific Board approval. Three proposals involve SFC making a contribution to large projects, against costs expected to be incurred during the target timescale.
13. Two proposals were judged to be not compliant with the aims and criteria of the programme. One proposal was not ready to proceed (mainly due to planning issues). A fourth proposal was judged to be compliant but did not require funding in this round.
14. In light of the above assessment process, the Council executive and the Capital Decision Point Committee are satisfied that all the proposals were robustly assessed against the criteria, including the ability of the institutions to repay the loans. Although we received no proposals for collaborative developments, the portfolio of projects forms a reasonable spread across the other programme

priorities.

15. We are therefore on track to draw down, or potentially exceed, the full £55.5M Financial Transactions funding in FY 2019-20, and to deploy all of the expected £4M repayments.

Current status

16. The total amount available at present is as follows:

	£
Allocated by Scottish Government	55,500,000
Total repayments from institutions from previous year programmes	4,013,519
Total available	59,513,519
Proposed total allocation	59,951,425
Variance	437,906

17. QMPF and Salix are currently working with the institutions to finalise their proposals and address the matters identified by the Assessment Panel. Most of the remaining work relates to finalising carbon and/or financial savings.
18. If the recommendations are agreed by the Board, SFC will issue offers of loan in February, with a view to making payments in late March. This should allow enough time for institutional governance processes.
19. The total of the proposals in this paper is slightly more than the total available in the above table. However, while we cannot at the final stage allocate more than what is available, we expect there to be movements in both funds available and funds required over the coming weeks and that consequently we will not have to restrict any of the proposals.

Arrangements for the FY 2020-21 Programme

20. Indicative policy priorities for next year were set out in the invitation to submit proposals (see Annex A). This was influenced by the Scottish Government's declaration of a Climate Emergency in April 2019, alongside ongoing sectoral priorities such as backlog maintenance, modernising spaces for learning, and collaborative developments.
21. Although the (target) carbon reduction budget is likely to be slightly underspent in FY 2019-20, climate change is increasing prominence in policy and forthcoming legislation. The SFC Executive is engaging with the sector on plans to address the Climate Emergency, and a draft strategy will be presented to the April Board meeting.
22. This plan needs to address both university sector emissions and, perhaps more

importantly, Scotland's transition to a low carbon economy. Universities can contribute to this agenda through learning, research and knowledge exchange, and through collaboration with industry, local authorities and other partners.

23. There is therefore an opportunity to deploy future Financial Transactions as part of a national university sector programme to address the Climate Emergency. Future programmes might therefore continue the existing programme themes, but with a renewed emphasis on achieving the net zero targets, maximising use of related sources of funding, and aligning with wider policies around economic and industrial development.
24. We have asked the Scottish Government for up to £54m of new Financial Transactions as a budget for the FY 2020-21 Programme. In addition, SFC will be able to deploy approximately £6m of repayments from previous Financial Transactions programmes.

Risk assessment

25. The main risks at this point are that institutions:
 - Fail to provide enough information on which to make offers of funding
 - Decline offers of funding after funding has been drawn down by SFC
 - Fail to implement projects on time or otherwise fail to achieve the outcomes which enable funding to be repaid.
26. All of the above risks are mitigated by the processes we have in place for implementing the programme. QMPF and Salix will be seeking additional information from the selected projects at each key stage, sufficient to provide assurance that they can progress on time, on budget and will meet the relevant outcomes.

Equality and diversity assessment

27. This paper seeks Board approval at a programme level. For each project business case we require evidence that an equality and diversity assessment has been undertaken by the institution.

Financial implications

28. The proposals in this paper will involve drawing down and deploying Financial Transactions of up to £59,514,000 in FY 2019-20. The funding will be repaid by making reductions in the grant payments to the institutions involved, on schedules agreed with the institutions.

Recommendations

29. The Board is invited to agree to the recommendations of the Capital Decision Point Committee to:
- make offers of funding for the 16 projects as listed (the University of Stirling proposal already having been approved); and
 - delegate authority to the Chief Executive to finalise negotiations and amounts up to the amounts stated in the annex (noting that ten projects exceed the Chief Executive's delegated authority limit of £1m).

Publication

30. This paper will be published on the Council website in edited format as it includes information which – if disclosed – would be likely to prejudice substantially the commercial interests of a person, a company or a public authority (Freedom of Information (Scotland) Act, 2002, Section 33).

Further information

31. Contact: David Beards, Senior Policy Officer, tel: 0131 313 6520, email: dbeards@sfc.ac.uk, Rufus Logan, Assistant Director Capital Funding and Climate Change rlogan@sfc.ac.uk tel: 0131 313 6672.

SFC Financial Transactions: Invitation of Expressions of interest FY 2019-21

SFC invites universities to submit expressions of interest for Financial Transactions in FY2019-20 and 2020-21. The programme will provide low-interest loans totalling up to £55m in FY 2019-20 to support university proposals under the following themes:

1. Invest to save.
2. Improving the learner experience / estates development.
3. Collaborative developments / e.g. City Deal / match funding (for year 2).

1. Invest to save

This strand will support:

- Projects which reduce the university carbon footprint (through energy efficiency measures or deployment of renewables).
- Projects which improve the efficiency of the estate (via changes in use, space utilisation etc).

Priority should be given to addressing backlog maintenance, improving the student experience, collaboration with other public sector bodies and student engagement where possible.

There is no maximum loan value. There will be one application per institution to include all projects the institution wishes to apply for. Payback periods will be a maximum of 10 years or up to 15 years for projects which support heating efficiency upgrades.

2. Improving the learner experience

This strand will support projects which aim to improve the learner experience by upgrading of facilities or transformation of spaces for learning. Priority should be given to addressing backlog maintenance where possible. The scale of projects should be £1 - 10m. Payback periods are likely to be 10 – 20 years.

3. Collaborative projects

Projects under this strand should deliver shared buildings/facilities for learning, catalysing other sources of funding (e.g. City Deal). We recognise that such collaborative projects take time to develop, and that these are therefore likely to be more suitable for support from FY2020-21 onwards. Nevertheless, for planning purposes SFC is keen to engage at an early stage with university proposals for such developments.

Threshold Criteria

All projects should:

- Be relevant to one or more of the programme aims.
- Advance the institution's estate strategy.
- Comply with state aid rules.
- Comply with the SFC Financial Memorandum.
- Be based on sound financial projections, business models and project partners.
- Be able to deploy the funding in line with the programme deadlines.

Next steps

Universities are invited to submit short expressions of interest now (and no later than the end of July 2019). These should include:

- A brief summary of the project (a paragraph).
- An estimate of the total project budget, and the amount of loan funding sought
- Which programme strand the project relates to.

Outline proposals will be invited for submission from June 2019. These should be based on the SFC capital guidance (for Outline Business Cases).

Proposals selected for funding will need to be finalised by December 2019.

SFC will consider as a priority compliant and high quality proposals not funded under previous Financial Transactions programmes.

SFC welcomes early discussions with universities on potential proposals. Contact: David Beards dbeards@sfc.ac.uk or Martin Kirkwood mkirkwood@sfc.ac.uk.

Building Scotland Fund

Universities are also invited to submit expressions of interest for the Scottish Government's Building Scotland Fund.

The Building Scotland Fund (BSF), is a precursor to the Scottish National Investment Bank and was launched in 2018. The Fund aims to invest £150 million over 3 years and is open to non-public sector organisations (including but not limited to) businesses; housing associations and universities.

Investments by the BSF are through making loans and/or acquiring equity. These will

be at commercial rates or made in compliance with EU State Aid regulations. The Fund will support housing development across all tenures; the development of modern industrial and commercial space and business-led research and development projects with a reasonably realistic prospect of commercialisation.

The amount of funding available to individual projects varies and is being decided on a case by case basis. Investments are likely to be over £1 million although there is discretion to consider applications under this amount.

Annex B

Financial Transactions FY2019-20: Proposals Recommended for funding

University	Project	Total Project Value	SFC Funding Requested	Rec'd Offer up to
Abertay University	Switchgear & Air-Handling Units	£959,000	£959,000	£959,000
Abertay University	Fire Strategy works	£747,000	£747,000	£747,000
Abertay University	Kydd Building re-cladding	£8,581,123	£8,581,123	£8,581,123
University of Aberdeen	District heating network and CHP	£4,000,000	£4,000,000	£4,000,000
University of Glasgow	Boyd Orr Building works	£95,600,000	£10,000,000	£10,000,000
Heriot Watt University	Window replacement	£1,339,000	£1,339,000	£1,339,000
Robert Gordon University	Lighting, Air-Handling, Boilers and chillers	£2,110,766	£2,096,309	£2,110,766
Robert Gordon University	Art School annex replacement	£1,500,000	£1,500,000	£1,500,000
University of Strathclyde	Solar PV installation	£851,000	£851,000	£851,000
University of Strathclyde	Andersonian Library refurbishment	£2,600,000	£2,600,000	£2,600,000
University of Strathclyde	Learning and Teaching Hub	£60,000,000	£10,000,000	£10,000,000
University of Strathclyde	Wolfson Building refurbishment	£15,500,000	£10,000,000	£10,000,000
University of Stirling*	Cottrell Building works	£17,143,000	£7,000,000	£5,100,000
SRUC	Animal Care Units	£785,000	£785,000	£785,000
SRUC	Student Arcade and Library	£400,000	£400,000	£400,000
SRUC	Craibstone Veterinary Nursing Skills hub	£750,000	£750,000	£750,000
University of the West of Scotland	LED lighting and controls	£237,420	£237,420	£228,536
Total				£59,951,425

*Already approved by Council in November 2019.

Abertay University – Switchgear and HVAC replacement	
Project strand	Invest to save
Funding to be offered in 2019/20	£959,000
Income / savings generated:	Switchgear £47,790 / 76.12 tCO2 p.a.

	HVAC £1,287 / 3.13 tCO2 p.a.
This project aims to replace to replace switchgear, heating and air conditioning units at the University's Kydd Building. This will generate savings directly and allow better metering and management of energy consumption.	

Abertay University – Fire Strategy works	
Project strand	Strategic development of estate
Funding to be offered in 2019/20	£747,000
Income / savings generated:	N/A
This project aims to upgrade fire mitigation measures at the University's Kydd Building. This project is focused on safety, asset protection and addressing backlog maintenance rather than generating income. The University has highlighted the potential for savings to be generated through reduced security cover and also mitigation of cost increases in buildings and contents insurance premia.	

Abertay University – Kydd Building Re-cladding	
Project strand	Strategic development of estate
Funding to be offered in 2019/20	£8,581,123
Income / savings generated:	£ and tCO2 savings to be confirmed once final design modelled
This project is to re-clad the north wing of the University's Kydd Building. This will improve temperature and sound insulation, extending the building lifespan by 30 years. Spaces that will be improved by these works include general teaching, laboratories, counselling skills labs and staff accommodation.	

University of Aberdeen – District heat network and CHP	
Project strand	Invest to save
Funding to be offered in 2019/20	£4,000,000
Income / savings generated:	Anticipated £ and tCO2 savings to be confirmed based on results of

	modelled scenarios
<p>This project aims to install a combined heat and power plant and connect to a city-wide district heating network operated by Aberdeen Heat and Power. It is expected to lead to significant carbon savings over the medium to long term, and forms part of a wider energy transition strategy for the University. A good example of a university joining a city-wide district heating project.</p>	

University of Glasgow – Boyd Orr Building works	
Project strand	Strategic development of estates
Funding to be offered in 2019/20	£10,000,000
Income / savings generated:	269.526 tCO2 p.a.
<p>This involves making a contribution to major refurbishment work at the Boyd Orr Building. The works comprise installing a new façade to the building through recladding, and upgrading all windows to double glazing. In addition, new toilets, fire stopping measures, and fire doors are to be installed.</p>	

Heriot Watt University – Window replacement	
Project strand	Invest to save
Funding to be offered in 2019/20	£1,339,000
Income / savings generated:	£59,009 / 224.89 tCO2 p.a.
<p>This project is part of ongoing work to replace windows across the campus, improving thermal performance and enabling the future installation of low temperature heating systems.</p>	

Robert Gordon University - Lighting, Air-Handling, Boilers and chillers	
Project strand	Invest to save
Funding to be offered in 2019/20	£2,110,766
Income / savings generated:	Lighting: £107,566 / 182.26 tCO2 p.a. Ventilation: £53,834 / 84.85 tCO2 p.a.
<p>This project will upgrade lighting in 3 University buildings and upgrade ventilation units in two buildings (including RGU Sport).</p>	

Robert Gordon University – Art School Annexe replacement	
Project strand	Strategic development of estates
Funding to be offered in 2019/20	£1,500,000
Income / savings generated:	£10,500 / 30.76 tCO2 p.a.
<p>This project will replace the current temporary (1992) studio accommodation with a modern, energy-efficient and accessible module. This is expected to deliver considerable improvements in the Art School student experience, as well as utility cost savings.</p>	

University of Strathclyde – Solar PV Installation	
Project strand	Invest to save
Funding to be offered in 2019/20	£851,000
Income / savings generated:	£12,116 / 22.75 tCO2 p.a.
<p>This project is to install solar panels on two of the University's buildings. The first phase will involve preparatory roof works, a grid connection strategy and planning permission. {Phase ; with procurement of the PV panels themselves.</p>	

University of Strathclyde – Andersonian Library refurbishment	
Project strand	Strategic development of estates
Funding to be offered in 2019/20	£2,600,000
Income / savings generated:	To be confirmed
<p>This project is to refurbish the Andersonian Library, part of the Curran Building. The objectives of the project are to enhance student learning and study through the development of flexible study spaces to accommodate current and evolving learning and study practices. The completed library is expected to have an operational life of 25 years.</p>	

University of Strathclyde – Learning and Teaching Hub	
Project strand	Strategic development of estates

Funding to be offered in 2019/20	£10,000,000
Income / savings generated:	7.295 tCO2 p.a.
<p>This project is to refurbish two major buildings on the John Anderson campus, to deliver a transformational change in the student experience. The refurbishment will provide improved teaching and learning facilities, a 'one-stop-shop' for student services and modern integrated facilities for the University's Student Association, Strathclyde Union. The two buildings will also be connected to Strathclyde's district energy network as part of the refurbishment. (NB This would supplement the loan funding of £10m SFC provided for this project in 2018-19.)</p>	

University of Strathclyde – Wolfson Building refurbishment	
Project strand	Strategic development of estates
Funding to be offered in 2019/20	£10,000,000
Income / savings generated:	98.943 tCO2 p.a.
<p>This project is to refurbish the Wolfson Building to establish it as the centre of the University's Department of Biomedical engineering. The total cost of the refurbishment is £15.5m.</p>	

University of Stirling – Cottrell Building refurbishment	
Project strand	Strategic development of estates
Funding to be offered in 2019/20	£5,100,000
Income / savings generated:	To be confirmed
<p>This project is to redevelop level 2 of the Cottrell Building to create new teaching space which will allow for greater interaction between staff and students and also improve room utilisation. Separate to this project, the University is developing "Campus Central" which will deliver new social space within Cottrell. The creation of new teaching space will act as a counterpoint to this development.</p>	

SRUC – Animal Care Units	
Project strand	Strategic development of estates

Funding to be offered in 2019/20	£785,000
Income / savings generated:	0.75 tCO2 p.a.
<p>This project is to re-locate SRUC's Animal Care / Game Keeping departments into modernised facilities within the SRUC estate, at Elmwood and Craibstone. The buildings will be extensively upgraded to deliver spacious, flexible teaching environments with scope for future expansion and the ability to offer courses currently not provided within SRUC's curriculum.</p>	

SRUC – Student Arcade and Library	
Project strand	Strategic development of estates
Funding to be offered in 2019/20	£400,000
Income / savings generated:	To be confirmed
<p>This project is to re-develop the Arcade and Library in the Peter Wilson Building (at the University of Edinburgh's King's Buildings campus) to improve the experience for the 630 students based at SRUC's Edinburgh campus. The project will seek to create a "sticky campus" that encourages students and staff to socialise, collaborate and learn in a more relaxed environment.</p>	

SRUC – Craibstone Veterinary Nursing Skills hub	
Project strand	Strategic development of estates
Funding to be offered in 2019/20	£750,000
Income / savings generated:	0.50 tCO2 p.a.
<p>This project is to establish a Clinical Skills Centre at SRUC's Aberdeen Campus, to enable it to provide Veterinary Nursing Programmes in the North. The Centre will be on the existing estate at Craibstone and will provide a practical learning space, incorporating Vet Diagnostics Technology and providing the opportunity to perform live procedures with a digital link enabling remote access for students.</p>	

University of the West of Scotland – LED lighting and controls	
Project strand	Invest to save

Funding to be offered in 2019/20	£228,536
Income / savings generated:	£43,587 / 89.53 tCO2 p.a.
<p>This project is to refurbish three buildings on the east side of the campus with high efficiency LEDs and controls. The project will significantly improve lighting levels and aesthetics for a core student hub, while achieving cost-effective carbon savings.</p>	