



Scottish Agricultural College
Business Transformation Plan

September 2004

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Foreword

SAC is in its centenary year. Over the past one hundred years SAC has served the needs of Scotland's rural industries, primarily the agriculture sector, with distinction, through its research, education and consultancy services. Now, at a time of very significant change in Scotland's rural sector, those services are more important than ever.

The purpose of this plan is to improve SAC's services by modernising the way in which they are delivered, and to make the organisation fit for purpose, financially robust, and adaptable to change in the 21st Century.

The historical estate held by the organisation, accumulated over the past century, is no longer appropriate for its future needs. This report sets out how that estate will be transformed to benefit the continued development of our core services to our clients and stakeholders.

W A C McKelvey

Chief Executive & Principal

September 2004

Executive Summary

1. This Business Transformation Plan sets out how SAC will seek to transform its business and estates to meet the demands of the 21st century, responding to the stated needs of its key stakeholders including Scottish Ministers. It builds on previous reports by Deloitte which analysed the future markets for SAC's services and appraised various options for the delivery of those services. It responds positively to the concerns of stakeholders with regard to the local provision of education courses in the North East and West of Scotland.
2. This report confirms the earlier work of Deloitte which sets out the future difficulties faced by SAC in delivering education courses in Ayr and Aberdeen. It concludes that, whilst SAC can afford to continue local delivery in Aberdeen by rationalising and redirecting its existing resources in that locality, a solution cannot be achieved in Ayr through the use of SAC resources alone. Additional public funding is necessary to meet stakeholder aspirations .
3. The central themes of this plan are:
 - A reduction in excess estate
 - The retention of only those assets which are required for SAC's core business
 - The continuation of education facilities in three geographical areas:– Aberdeenshire, Ayrshire and Edinburgh, building on the hub and satellite model outlined in the Deloitte report, so that SAC is not entirely reliant on its own facilities and infrastructure
 - Partnerships with other educational institutions.
 - The consolidation of Research and Development functions to increase efficiency and effectiveness, and the future development of partnerships with other research organisations
 - The development of an affordable estates solution which modernises SAC's facilities across Scotland for the benefit of clients and staff.
4. A 'Partnership Model' for delivery of SAC's services and particularly its educational provision has been developed which aims to maintain integration over dispersed sites. This provides the basis of a financially sustainable strategy for SAC's business balancing an investment programme alongside the release of value from existing estates while significantly reducing ongoing running costs.
5. The Plan for the estates development includes:
 - **Ayr** – short term cost reduction measures with education facilities provided in the medium to long term at Craigie Campus in Ayr. Redevelopment of most of the Auchincruive Estate.
 - **Aberdeenshire** – short term cost reduction measures and consolidation of activities in the Ferguson building at Craibstone. Education facility provided in partnership with another education provider in Aberdeen, potentially Robert Gordon's University. Redevelopment of most of the Craibstone Estate.
 - **Edinburgh/Bush** – short term cost reduction measures, including centralisation of administrative functions, in conjunction with a limited refurbishment of Kings Buildings and redevelopment of R&D facilities at Bush in partnership with other research organisations.
6. The Partnership Model has a positive Net Present Value over 20 years and, whilst the major proportion of the funding required for the plan can be realised by SAC itself through the release

of existing assets, a capital grant will be required from SEERAD to help meet the costs of continuing educational provision in Ayr, together with continuation of recurrent funding which recognises the additional costs inherent in dispersed delivery of Education. The financial analysis demonstrates that, with the capital grant and appropriate public funding for its specialist Education role, the plan is affordable to SAC without increasing debt beyond levels which are acceptable to the SAC Board.

7. As development of the estates at Auchincruive and Craibstone provides the major proportion of the funding required for the plan, the development brief process will be progressed in conjunction with short term actions to reduce running costs.

1 Introduction

Background to this report

- 1.1 This Business Transformation Plan sets out how the strategy adopted by SAC (The Scottish Agricultural College) for the development of all aspects of its business over the next 20 years is going to be implemented. In particular, the future objectives, markets and services of SAC are set out as requested by Scottish Ministers.
- 1.2 The Corporate Strategy Review, which was prepared by Deloitte & Touche (D&T, now known as Deloitte) and reported in three phases culminating in the publication of the Phase 3 report in September 2003, proposed that SAC's educational activities should be centred on Edinburgh with very significant reductions in traditional student teaching at Ayr and Aberdeen. However, in its response to these proposals, the SAC Board emphasized the importance of retaining the capacity to provide local access to sub-degree level courses in Ayrshire and Aberdeenshire and commissioned this Business Transformation Plan.
- 1.3 This report complies where appropriate with best practice standards specified by the government in the Green Book advice on appraisal in the public sector and "Prince 2" advice on project management. It also complies where relevant with the "Updated Procedure Notes for Capital Projects" issued by the Scottish Funding Councils in 2003.
- 1.4 As has been identified in earlier publicly available reports, much of the business restructuring focuses on estates requirements as these contribute significantly to the running costs of SAC. Currently they are configured in neither an affordable nor a functional arrangement for meeting the needs of SAC in the 21st century.

Current Business Operations

- 1.5 SAC's business operations are structured within four divisions which are as follows:
 - Consultancy Services
 - Education and Training
 - Research and Development
 - Corporate Affairs
- 1.6 Each division contributed to the development of this overall Business Transformation Plan and, as with any business plan, the process has been iterative with a significant amount of technical information and options developed in order to come to a recommended strategy. Since the Estates development forms such a significant element of this overall strategy, a brief introduction to this aspect is given below.

Estates

- 1.7 SAC currently has a large and dispersed estate comprising land and buildings on three campuses located at:
 1. Ayr (Auchincruive)

2. Aberdeen (Craibstone)
 3. Edinburgh (Kings Buildings and the Bush Campus)
- 1.8 Each of these campuses has a mixed use of properties including educational, administrative, storage, research/development and various specialist uses. Associated land including farmland, woodland and gardens is abundant particularly at Auchincruive and Craibstone.
- 1.9 In addition, the estate includes 8 Veterinary Centres (3 of which are on the campuses) and a network of 23 consultancy offices located throughout Scotland. Five farms also form part of the estate. Whilst the majority of properties and lands are owned by SAC some buildings and farms are leased.

Approach to Developing the Estate Strategy

- 1.10 The 2002 strategic review of SAC operations provided the core to the transformation programme, defining the future business direction of the organisation. In 2003, an Options Appraisal was completed by Deloitte. This reviewed a series of options for reconfiguring the SAC estate and included a “do nothing” (or status quo) option which was not tenable. A “least cost option” was developed from this which recommended a more centralised approach to education provision based around facilities in Edinburgh.
- 1.11 However, following further consultation, including discussion with SEERAD and the Minister for Environment & Rural Development, the Board decided to pursue development of a more dispersed but integrated model of education delivery involving the continued provision of education facilities in Ayrshire and Aberdeenshire, in addition to Edinburgh, but considering more flexible approaches to delivery in partnership with other education providers. The Board proposed that Kings Buildings in Edinburgh should be retained as the administration ‘hub’ with two additional main education ‘satellites’ located in Ayrshire and Aberdeenshire to meet local market demand providing that they were financially and educationally sustainable in their own rights. This strategy was supported by the Minister.
- 1.12 The ‘Partnership Model’ set out in this report will be based around the provision of education facilities on campuses which are not owned by SAC, allowing SAC the potential to take advantage of the integration of staff and student facilities and benefit from economies of scale. This Partnership Model is similar to that which already exists on the Kings Buildings campus in Edinburgh where SAC shares both the building and campus with Edinburgh University. Experience has shown that this approach adds considerably to the student experience, and to cost efficiencies.
- 1.13 Three key principles have provided the context to the development of this Partnership Model for estates development. These were:
- the need to significantly reduce the overall size of SAC’s estate, as recommended in earlier reports;
 - the provision of a rationalised and fit-for-purpose estate; and
 - the development of partnerships with other educational institutions.
- 1.14 Business planning based on this Partnership Model was developed in late 2003 by SAC divisions, considering future requirements of each division in terms of services, human resources and estate requirements. This informed the development of the overall estates

strategy for SAC. Other factors alongside the strategic review, least cost option and divisional business plans, that inform the estate strategy include:

- The need to maintain business continuity
- The achievement of best value
- Financial considerations and the need to significantly reduce estates costs
- Meeting stakeholders' requirements

1.15 Whilst the estate strategy must work for the organisation as a whole, each campus is considered separately. Since Consultancy Services (including Veterinary Services) are a key part of SAC's business, contributing significantly to overall income, it is essential that they also have accommodation which is fit-for-purpose and their requirements are also included. The more recent review of the requirements for the Disease Surveillance Laboratories (DSL) indicate that the DSL at Ayr should be replaced within the timescale of this plan and this work is additional to that outlined in the earlier Deloitte reports.

1.16 SAC will dispose of land at Auchincruive, Craibstone and elsewhere which is surplus to requirements as part of the implementation of the development plan, retaining only those areas that are core to the future business. Alternative uses for surplus land will be considered through a development brief process, identifying potential options in order to maximise returns prior to sale. SAC will not retain land for longer than is necessary to fund the development plans but will seek to ensure that where steps can be taken to increase the value of receipts that these are taken prior to sale.

2 Strategic Context

Functions

- 2.1 SAC provides integrated support services to land-based industries in Scotland and elsewhere. In financial terms, the largest service area by income is advice and consultancy, followed by research and development and then education and training.

Finance

- 2.2 A primary reason for the Corporate Strategy Review was to transform SAC into a financially sustainable business, taking account of changing funding arrangements and the under-utilisation of the estate. It was therefore envisaged that a significant reduction in running costs would be achieved, primarily through significant rationalisation of the estates and some reduction in support staff resources. Without this, SAC would not remain in a financially sustainable position.

Stakeholder Support for SAC

- 2.3 In the Corporate Strategy Review undertaken by Deloitte, stakeholders were consulted on SAC's strategic mission and objectives and full responses were obtained from sixty seven key organisations. Focus groups were also held with partners and stakeholders in SAC's education, research and consultancy services, with clients and also with students and staff on all three campuses. All of the stakeholder groups expressed positive agreement with SAC's mission and strategic objectives.
- 2.4 Overall, the consultation programme established that SAC was valued by the land-based sector and that its services were considered indispensable though there were, understandably, different views on how those services should be delivered in future. A consequence of this consultation process was the recognition that there was a need for local delivery of sub-degree level education on a regional basis to meet local market demand.
- 2.5 Evidence of the support for the continued provision of education at three sites can be seen in the increasing number of students who are seeking to study at both Ayr and Aberdeen, with significant increases in applications for the year 2004/5 at Ayr. It is recognised that not all students would wish to study at the hub in Edinburgh and that flexibility in delivery is required to meet the developing needs of students.

Student Numbers

- 2.6 The total number of students (full-time, part-time and trainees) at SAC has been, in recent years, around 1000 full-time equivalents (FTEs). SAC is currently the second smallest of the 19 Higher Education Institutions in Scotland and even after achieving its target of 1500 FTE's it will be the fourth smallest in terms of student numbers. Further analysis of student numbers is given in Chapter 4 of this report.

- 2.7 Economies of scale are therefore a particular issue for SAC and would remain so even if it could achieve optimal staffing and estates. The increased costs which arise from being unable to take advantage of economies of scale are explained more fully in Chapter 3.

Teaching Funding

- 2.8 SAC is funded by the Scottish Executive Environmental and Rural Affairs Department (SEERAD) rather than by the Scottish Higher Education Funding Council (SHEFC). SAC is funded for Education by SEERAD at a higher level than that which would follow the direct application of the per capita rates pertaining to SHEFC-funded organisations. SEERAD have however indicated that this grant in aid for education will reduce towards SHEFC funding norms.

Estates

- 2.9 SAC is unusual in that it inherited three large and widely separated campuses which greatly exceed its needs for space, and also make it difficult to programme staff time effectively across the whole of its educational activities. Both of these characteristics constrain SAC's scope for cost reduction and need to be addressed. Earlier studies had indicated that at 58,500m² of education/research space, SAC was maintaining several times their needs.
- 2.10 SAC works in partnership with a number of both higher and further educational establishments and will seek to develop and widen these partnerships through the implementation of this Transformation Plan. Further details of these plans are given in the following section.

Research and Development

- 2.11 In reviewing SAC's strategy for R&D, SEERAD's current review of their own strategy for agricultural, biological and related research (ABRG Review) has been taken into account where possible. SAC will continue to work with SEERAD and other partnering organisations to seek best value from the public investment in R&D.

Legal Status

- 2.12 By the decisions of Ministers at the time, SAC was created in the form of a company limited by guarantee with charitable status and significant legal autonomy from government. Responsibility for its development therefore rests with its Directors and so it cannot assume that the government will stand as guarantor of its future existence.

3 Business Drivers and Strategic Objectives

3.1 The key parameters of this Transformation plan are that it must implement the agreed strategy to make the organisation:

- **Effective** in providing services which address the stakeholder needs of land-based communities and businesses in Scotland;
- **Efficient** in its use of resources and infrastructure, so that it can obtain the maximum impact for any achieved level of resourcing. The reconfiguration of SAC must, in particular, allow it flexibility in deploying its limited resources;
- **Responsive** to the needs and aspirations of its stakeholders throughout Scotland, insofar as this is compatible with its own financial viability;
- **Collegial** in working in partnership with other agencies and education providers which have contributions to make to the land-based communities;
- **Integrated** internally to optimise the synergies between its research and other services and in particular to ensure that research, advice and learning continue to be provided as a “joined up” package; and
- **Financially viable**, so that it can maintain itself and continue with its mission to serve its many stakeholders in the land-based sector.

SAC’s Consultancy Services

3.2 The Consultancy work of SAC is provided by five groups of specialists who work closely together to provide a seamless service to land-based clients:

- Farm Business Advisory Group;
- Rural Business Group;
- Select Services Group;
- Environmental Consultancy Group; and the
- Veterinary Services Group.

3.3 These five groups of staff operate mainly from SAC’s 23 consultancy offices and 8 Veterinary Centres across Scotland, though individual sector specialists in particular may well work across a number of offices depending on the changing demand for their services. The five groups together constitute the Consultancy Services Division of SAC, which in aggregate generates some 40% of SAC’s income (c£20m pa), with some 75% of that earned through contract and the remainder through ‘public good’ funding from SEERAD in four programme areas:

- Animal Health and Welfare;
- Economic and Rural Development;
- Environment and Conservation; and the largest single programme
- Support to Disadvantaged Areas, to ensure that crofters and others working in areas of marginal economic viability can still access SAC’s advice where issues of affordability by clients and diseconomies of provision by SAC make a fully commercial service unviable.

3.4 The SAC Veterinary Services Group provides passive animal disease surveillance services which are seen as essential for animal and public health by the Scottish Executive, as well as a range of commercial services. The Veterinary Services staff do not just monitor animal

health epidemiology but also have key roles in assisting the State Veterinary Service in controlling outbreaks of disease as, for example, in the recent foot and mouth disease epidemic.

- 3.5 Though only a few are based on the campuses, SAC consultants' closeness to their rural clients is very helpful both in informing teaching and course design by their colleagues in Education and Training, and in facilitating access to land managers, land itself and animals by SAC's Research and Development staff.
- 3.6 SAC intends to maintain its Scotland-wide network of offices for the Consultancy Division and will own those in key sites, but elsewhere will consider ownership, leasing or sharing arrangements for offices with partner agencies, including enterprise and tourism agencies and local authorities. It is essential for the successful implementation of this Transformation Plan that SAC has local offices that are fit for purpose in future.

SAC's Research and Development Services

- 3.7 SAC's research is designed to have practical impact and to address key industry issues. In this respect, the Research and Development work of SAC is organised into four areas, each managed as a research group which works closely with the other groups and with their colleagues in other Divisions:
 - Land Economy;
 - Crop and Soil Research;
 - Animal Health; and
 - Sustainable Livestock Systems.
- 3.8 These four groups of staff operate mainly from SAC's Bush and Craibstone campuses and constitute the Research and Development Division of SAC, which in aggregate generates some 30% of SAC's income, with rather more than half of that earned through contract and the remainder through 'public good' funding from SEERAD. The purposes of the Scottish Executive in direct funding of SAC's research and development work in these programme areas are to underpin the agricultural industries and help achieve its policy objectives in environment, rural development and supporting a viable agricultural industry.
- 3.9 The work of SAC's research and development staff informs their education colleagues' teaching and the quality of advice given by their colleagues in consultancy. Direct input to SAC education courses by this Division is typically in the honours years of undergraduate programmes and in taught Masters courses.
- 3.10 SAC intends to continue its current policy of consolidating its research effort as much as possible in order to achieve the maximum available critical mass and synergies of working with its education and other campus based staff, and will also work closely with SAC's consultants and with its research partners. A detailed draft specification of accommodation requirements at SAC's campus and other locations has been developed to inform this Transformation Plan.
- 3.11 The current ABRG (Agricultural and Biological Research Group) Review of SEERAD's future strategy for Research will be critical for the organisation and for the funding of SAC's research services in future. The review will affect all research bodies funded by SEERAD

and, in so far as its likely outcome is known, has been taken into account in this Transformation Plan. The general theme of this review is towards the development of research clusters relating to specific areas of science and in this respect the Transformation Plan aligns with that policy. This strategy also aligns with recent recommendations of the Scottish Science Advisory Committee (the Sibbett report).

- 3.12 SAC's closeness to the land-based sector, its emphasis on applied research and holistic solutions, and its particular strengths in animal health, applied animal science and land economy may be seen as giving it a pivotal role in any reconfigured future provision of research services for the land-based sector. Its recent experience of thorough review and reconfiguration of its own services across Scotland as a whole and across service areas would be helpful in taking a collegial approach to change and development across the land-based research sector.

SAC's education and training services and its development of partnerships

- 3.13 SAC is unique amongst land-based Colleges in Scotland in its portfolio of education courses and particularly its emphasis on higher education which contrasts with the three other Scottish land-based Colleges – Elmwood, Oatridge and Barony – which provide a majority of further education courses. SAC is a recognised Central Institution for Higher Education and the largest provider of full-time higher education courses for the rural sector in Scotland. Its higher education students at first degree and postgraduate level receive awards validated by the Universities of Aberdeen, Glasgow or Edinburgh.
- 3.14 Training is increasingly important in SAC's customer base and (especially) in generating a surplus over the cost of provision. Provision of training has grown substantially in recent years, and now earns SAC some £0.7 million per annum.
- 3.15 SAC's policy and public good outcomes in educational services are supported by SEERAD by grant of some £5.5 million per annum (less than 15% of overall income), and this is expected to reduce over the next two years. SAC sees the policies of the Scottish Executive on collaboration, flexible delivery modes and efficient sharing of resources in tertiary education as essential for its future. As a specialist provider it must collaborate with institutions throughout Scotland to access the resources that it needs to deliver its services.
- 3.16 However, since education at SAC is a small operation in relation to other higher education institutions, and because SAC wishes to continue to provide education on a multi-site basis due to stakeholder demand, it is unable to take advantage of economies of scale in both of these respects. SAC estimates that the additional running costs, above those which might normally be expected of an institution of similar size, are around £1.2m per annum and include:
- Additional education, business support and recruitment staff, due to the inability to service widely dispersed campuses in an optimal manner.
 - Additional education premises, including teaching areas and offices, libraries and IT support.
 - Additional overheads, relating to the servicing needs of the dispersed campuses.

- 3.17 In addition, SAC should be regarded as a Small Specialist Institution due to its particular educational focus and consequential overall student numbers. It can be expected that the economies of scale which are achieved by larger institutions offering a wider spectrum of courses will not be available to SAC while continuing to provide this scale of specialist education, particularly over a number of sites. Similar institutions, currently funded by SHEFC, are in receipt of an annual recurrent grant of approximately £0.4m per annum (2004/05).
- 3.18 Thus, the total additional cost recovery required, over and above SHEFC funding norms, amounts to some £1.6m per annum, if SAC is to continue to deliver education courses on a dispersed model; even if that is in partnership with other providers.
- 3.19 SAC's key educational partnerships at HE level are those it has enjoyed, and wishes to continue, with the Universities of Aberdeen, Edinburgh and Glasgow. These partnerships are very much valued and are of proven benefit to SAC (and, it is believed, to the partner universities). Collaboration in the production and revision of learning materials and in best practice in learning environments will increasingly be with institutions with similar interests through the UK-wide Learning and Teaching Support Network of the Joint Information Systems Committee (JISC).
- 3.20 However, to flourish in future, SAC recognises that it will need to evolve new partnerships in order to share resources as well as those in existing partnerships for academic development. Thorough investigations have been undertaken with all relevant HE and FE institutions in order to seek potential partnerships in the provision of:
- Academic courses
 - Facilities
 - Support services.
- 3.21 Partnerships with other institutions in academic development, teaching and infrastructure are essential if SAC, as a small provider of specialist education and training, is to continue to operate a pattern of multiple and dispersed local delivery despite its limited resources. Flexible and scalable 'hosting' arrangements offer the best prospect that SAC can afford to sustain this mode of provision in the foreseeable future, at least breaking even in the operation of the 'hub' and main 'satellites' in Ayrshire and Aberdeenshire. Even where SAC can agree the use of shared infrastructure, however, it will continue to face challenges in achieving adequate efficiencies of scale, especially in the deployment of its teaching staff.
- 3.22 Over the medium term SAC will increasingly modernise its learning delivery modes in land-based subjects towards learning environments which make lower demands on conventional campus provision and can be extended to areas which are not as well served at present. This model, which is consistent with the policies of the Scottish Executive, is also much more appropriate for a largely rural and dispersed client base.

"Hub" and "Satellites"

- 3.23 The strategy for the delivery of SAC's education and training provision will follow current best practice and be based on a model of a hub and satellites. The hub at Kings Buildings will

bring staff together to provide cost-effective academic, administrative and financial services. It will be the main location for the development and delivery of education programmes, whether remotely-delivered modules or those designed for on-campus delivery. Some academic staff will be attached to satellite centres for all of their working time to give learning support or deliver courses, and others will contribute to courses or sessions at learning centres as required.

- 3.24 The main “satellites” at Ayr and Aberdeen will be reconfigured first and provide access to hard copy and digital learning materials, advice on course selection, administrative, technical and study-skills support and subject teaching (with some teaching by visiting specialists based normally at the hub).
- 3.25 SAC will apply the criterion that the educational services provided at each satellite (and the main campus) should at least break even in terms of overall income and expenditure, including a fair allocation of “hub” academic and administrative costs. This will ensure that best value is achieved from whatever level of public funding SAC may be allocated in future.
- 3.26 SAC and the communities which it serves have much to gain from partnership working and the development of flexible, modern forms of “blended learning” in land-based subjects. These developments will implement the spirit of the Scottish Executive’s policies on access, flexibility and economic development. It will increasingly provide SAC with the ability to deliver education and training services to the whole of Scotland in a more efficient and cost effective way.
- 3.27 A matrix of SAC’s current and planned partnerships with other bodies in tertiary education is shown below.

Partnerships in academic course design, revision and assessment:	Potential partnerships in infrastructure:	Potential partnerships in support services:	Outcome of Review
Central Scotland			
University of Edinburgh – for shared teaching & validation of some degree programmes	Current joint ownership of Kings Buildings & use of facilities Sharing of R&D facilities at Bush Estate	Some current sharing of UoE estates services – could be increased	Series of discussions on animal bio-science research. Joint initiative between Moredun, Roslin, SAC and University of Edinburgh.
University of Glasgow – for shared teaching and validation of most degree programmes	Consideration of ‘hosting’ or joint provision of a SAC Learning Resource Centre (LRC) at Crichton Campus, Dumfries. This could facilitate increased collaboration with Glasgow’s Veterinary School.		Possible hosting under discussion but no suitable location yet identified.
Ayrshire			
University of Paisley - planned ‘hosting’ or joint provision at Craigie Campus, Ayr	Potential for joint development of education delivery and support facilities (libraries, refectories, residences, etc) at a single campus location		Agreement in principle has been reached for development of a joint HE/FE campus at Craigie in Ayr, supported in principle by South Ayrshire Council.
Ayr College – potential for ‘hosting’ in Ayrshire	Ayr College accommodation is extremely limited. No suitable space available. Ayr College would be joint participant in educational campus provision at Craigie.		New principal appointed to Ayr college with whom discussions are at an early stage. Initial indications are that Ayr College would be supportive of a collaborative development with SAC at Craigie.
Kilmarnock College – potential for ‘hosting’ in Ayrshire	Kilmarnock College is seeking to reduce accommodation but remainder is unsuitable for SAC purposes.		Agreements are being drafted for course articulation routes
Aberdeenshire			
University of Aberdeen – for validation of some degree programmes	Possible rental of facilities at University of Aberdeen for delivery of Education by SAC. Also confirmed use of excess space at SAC facilities at Craibstone by University of Aberdeen spin-out company.		Discussions have not yet identified availability of teaching space.
Robert Gordon’s University – for shared business management & leisure courses	Possible ‘hosting’ of a SAC LRC at Garthdee Campus, Aberdeen. Also possible use of excess SAC facilities at Craibstone by RGU spin out company.		Possible hosting of SAC LRC or SAC students at Garthdee. SAC is currently working with RGU on their masterplan with respect to estates solutions.

Other Further Education Colleges			
Banff & Buchan College – possible joint HN courses	Banff & Buchan College - possible 'hosting' in north Aberdeenshire		Banff & Buchan College are considering use of excess facilities at Craibstone.
Langside, North Glasgow, James Watt, Inverness, Orkney, Aberdeen Colleges			Agreements are being drafted for progression and articulation routes.
Land-based Colleges (Oatridge, Elmwood & Barony) – for articulation and course mapping	Land-based Colleges – discussions are under way on increased sharing of facilities and equipment and on formalising progression routes for FE students into SAC's HE courses		Agreements are in the process of being drawn up with the three land-based Colleges on progression of students into SAC. Discussions are ongoing on sharing of equipment. A mapping exercise has been undertaken in order to identify potential for articulation routes.
Flexible and Distance Learning			
Joint Information Systems Committee (JISC) LEAP group - for best practice in learning environments and LTSN Bio-Sciences Centre – for joint materials design & revision	JISC - for JANET, ICT & Communications Infrastructure and advice	Discussions are under way with JISC Regional Support Centre on ICT technical and training support	
University of the Highlands and Islands Millennium Institute (UHIMI) including Orkney, North Highland and other colleges - for advice on course design and delivery to 'remote' communities. Subject synergy may aid reciprocal offerings	UHIMI - for shared provision of learning centres in north & west Scotland & Islands	UHIMI - for shared provision of support services in north & west Scotland & the islands	Agreement with Orkney College on progression of students to SAC
Open University (OU) - for advice on course design and delivery to 'remote' communities	The OU already uses 'hosting' rather than ownership as part of its own solution to issues of dispersed delivery – it may provide a model but cannot help SAC directly in infrastructure sharing.		OUVS - potential validation

4 Business Prospects and Resource Requirements

Consultancy Services

- 4.1 The Consultancy Services Division of SAC provides knowledge transfer services to both domestic and international clients in the land based sectors. The Division employs 378 staff, of whom 141 are the Veterinary Services Group, and an annual income of around £20m. It is seeking to increase the proportion of commercial consultancy work in order to provide a greater contribution to the redevelopment of SAC facilities to make them fit for purpose. It has identified the overhead costs of estates as being a significant constraint to the development of its business and is therefore supportive of the proposals being developed.
- 4.2 This Division forecasts organic growth in its activities, and has the capability to increase its presence in a number of sectors, thus better utilising the staff which it currently employs. Income is expected to grow ahead of inflation over the period of this plan.
- 4.3 Consultancy clients expect a local service which is provided through the dispersed structure of offices. This was confirmed as an appropriate delivery structure in earlier reports although the Division's developing estates have been further reviewed in this Transformation Plan. This is covered in more detail in the next section.

Research and Development

- 4.4 The focus of this Division is on research that is designed to promote the development of efficient and sustainable industries and practices in the land-based sector. The Division employs 223 staff, of whom 100 are research scientists, and has an annual income of around £13m; of that some £5.8m is derived as core grant in aid from SEERAD.
- 4.5 The Scottish Executive's current review of its strategy for agricultural, biological and related research (the ABRG Review) will guide the context for SAC's future research work. The Division is well placed to respond positively to the emerging SEERAD strategy, given its emphasis on Applied R&D which is targeted at the needs of end users.
- 4.6 The Division believes that strategic moves to encourage closer research co-operation amongst SEERAD's sponsored bodies could add further to its overall capabilities and effectiveness. Part of this may be achieved through sharing of facilities with other institutions.
- 4.7 The R&D Division recognises the need to achieve consolidation through implementation of the Business Transformation Plan and also the potential to increase the scope of its capabilities through effective partnerships and collaboration. This will involve a reduction in the overall floor space but provide fit-for-purpose accommodation which will increase the effectiveness of its work.

Education and Training

- 4.8 The strategic aim of the Division is to develop and grow as a specialist provider of high quality education and training to the land-based sectors. Within this, the division aims to:

- Provide high quality education and training programmes focused on continuous quality improvement.
- Strive to achieve financial viability through maximisation of income and effective and efficient utilisation of resources.
- Grow the student number base to meet market demand and ensure the long-term viability of the education and training services.
- Increase participation in land-based lifelong learning from non-traditional entrants.
- Increase and develop education partnerships within and outwith Scotland.

4.9 It identifies a major constraint to its progress as being the reduction in the proposed level of government funding for delivery of the education and training courses and the need to fund strategic change. In this respect, it is noted that SEERAD's grant-in-aid has reduced by £600k in 2004/5 (following a similar reduction in 2003/4) and a further cut may be implemented in 2005/06.

Student number forecasts

4.10 As SAC moves towards being funded by SEERAD on a benchmarked FTE basis similar to that used by SHEFC to fund education provision at other Higher Education Institutions, SAC has developed a strategy which aims to achieve significant increases in its student numbers over the next 7 years. A consequence of this strategy would be to reverse the cuts in SEERAD funding for education and to exploit markets for SAC's education and training courses. The aim of the strategy is to increase student numbers to 1500 FTEs (including Education, Training and Flexible Learning), with 1200 FTEs being delivered out of the Edinburgh Hub and Aberdeen and Ayr satellites. The balance of 300 FTEs will principally consist of Training and Flexible Learning provision delivered out of other satellites either owned or managed by SAC or in partnership with other providers.

4.11 While recent growth in student numbers and applications has demonstrated that the targets at Ayr and Aberdeen are achievable, the growth target set for Edinburgh is more ambitious and for this reason has been set over a longer period.

Education Centre	Year 0 2003/04 FTEs	Year 1 2004/05 FTEs	Year 2 2005/06 FTEs	Year 3 2006/07 FTEs	Year 4 2007/08 FTEs	Year 5 2008/09 FTEs	Year 6 2009/10 FTEs	Year 7 2010/11 FTEs
Aberdeen	166	193	200	218	235	250	250	250
Ayr	332	384	415	442	450	450	450	450
Edinburgh	120	143	204	260	310	370	440	500
Totals	618	720	819	920	995	1070	1140	1200

4.12 Targets for growth in Training and Flexible Learning FTEs over the 7 year period to 2010/11 are shown below:

Learning Environment	Year 0 2003/04 FTEs	Year 1 2004/05 FTEs	Year 2 2005/06 FTEs	Year 3 2006/07 FTEs	Year 4 2007/08 FTEs	Year 5 2008/09 FTEs	Year 6 2009/10 FTEs	Year 7 2010/11 FTEs
Training	225*	110	120	130	140	150	165	180
Flexible Learning	135*	80	90	100	100	110	115	120
Totals	360*	190	210	230	240	260	280	300

**The targets set for 2003/04 were overly optimistic and have been revised for 2004/05 onwards taking account of expected achievements in 2003/04.*

4.13 The SAC Board has agreed that the strategy for the provision of education programmes be based on the establishment of a hub for education at the Edinburgh Kings Buildings Campus and two principal education satellites based in Ayr and Aberdeen. These two satellites will focus mainly on serving local markets in the West and North East of Scotland whereas the Edinburgh hub will serve all other geographical markets for SAC's education programmes. Moving forward, SAC will adopt a flexible approach with regard to estates provision by developing only in those local markets where additional educational demand is apparent, and where courses can be provided in a financially viable manner.

4.14 In order to address local markets for SAC's education programmes in the West and North East of Scotland the SAC Board proposed the development of a 2+2 model of delivery whereby the first two years of a degree programme would be delivered locally and the final two years would be delivered at the hub in Edinburgh.

4.15 Whilst the 2+2 model of delivery is based on sound business principles it will need to be carefully developed on a programme by programme basis to take account of specific issues including for example:

- Some programmes only existing to serve local demand (ie the programme is addressing a niche market for which there is little or no demand outwith a specific geographical area);
- Some programmes attracting students who are not geographically mobile (eg mature students);
- The first and/or second year of a programme may be provided by another institution (eg Business Management at Aberdeen College; Countryside Management at Oatridge College) and SAC provides a local progression option.

4.16 Appropriate solutions to some of these issues may be found by further developments in flexible and distance learning, particularly for years 3 and 4 of degree programmes. This may also assist in widening participation to markets outside those traditionally served by SAC in Ayrshire, Aberdeenshire and the Lothians.

4.17 The estate strategy for Kings Buildings is designed to suit this strategy of incremental growth in student numbers, with the potential to enhance further the building and increase space for educational activities as student numbers rise.

Partnerships

- 4.18 As discussed earlier, SAC intends to comply fully with the Scottish Executive's policy objectives on partnership working in tertiary education and has entered into discussions with a number of organisations, including Further and Higher Education Institutions and others, to develop partnerships for the local delivery of its programmes. These partnerships will be vital to the future expansion of SAC's education and training services and will enable SAC to reach a wider marketplace for those services than it is currently capable of by activities based at its three existing campuses.

Staffing

- 4.19 The following table summarises the current and projected staffing requirements in all divisions over the next 4 to 5 years (based on staff numbers at March 2004).

Division	Comments
Education	No significant changes.
Consultancy	No significant changes. Expanding areas of business will require recruitment of staff with new skills to meet changing client needs.
R&D	Reduction of approximately 12% in overall staff numbers will result from the concentration of specific research activities on fewer sites. This reduces the number of personnel required for research support teams.
Corporate Affairs	Reduction of approximately 14% in overall staff numbers will result from efficiencies and some increased use of technology in the short to medium term. The rationalisation of the estates and related functions will enable further efficiencies to be actioned.

- 4.20 Although a proportion of redundancy costs will be met by SEERAD, over £1m in redundancy costs will be borne by SAC and these have been built into the financial analysis. Primarily, the savings in staff costs are found in support services rather than in the core services of Education, Consultancy and R&D. It should be noted that the proposed reduction in overall staff numbers represents less than 6% of the total staff complement. Annual turnover of staff at SAC is approximately 14%. Every effort will be made to accommodate these changes through natural turnover and retraining of existing staff.

Information Systems Strategy

- 4.21 A comprehensive IS strategy has been developed to underpin the technology needs of SAC and the costs associated with this are part of the Corporate Affairs budget.

5 Estates Development Proposals

Background

- 5.1 The estate strategy has been developed by Turner & Townsend based upon briefings by SAC. Independent input has also been provided by Quayle Munro as financial advisors, DM Hall as property advisors and Jenkins & Marr as architects and space planners.
- 5.2 The plan builds on previous studies and consultations which defined the Partnership Model as the most appropriate approach to estates development seeking to significantly reduce overall floor space, and thus costs, while providing fit-for-purpose facilities alongside or nearby other educational institutions, allowing the potential for shared facilities and an enhanced student experience.
- 5.3 Fundamental to the Partnership Model is SAC's wish to maintain educational activities in Aberdeenshire, Ayrshire and Edinburgh in response to stakeholder demand. This is in addition to their widespread consultancy offices and Veterinary Centres which will be maintained in line with their present locations.
- 5.4 A range of estate options was therefore identified and reviewed in the process of establishing one which best met SAC's strategic objectives within the constraints, including the financial constraints, affecting the business. A detailed appraisal of the strategy was undertaken and this included consideration of the following aspects:
- Strategic
 - Technical
 - Financial
 - Risk and uncertainty
- 5.5 The plan recognises the need to address issues on different timescales, with the following assumptions made on planning timescales:
- Short term – 1-2 years
 - Medium term – 3-4 years
 - Longer term – 6-7 years
- 5.6 In Chapter 7, an implementation timetable is provided setting out the planned timetable for the key elements of the strategy. In general, short term activities are expected to be complete within 2 years of approval of the Transformation Plan. Although subject to assumptions, the entire transformation is expected to be completed by 2010. The strategy for each location is described below.

Aberdeenshire (Craibstone)

- 5.7 In developing the estate strategy options at Craibstone, SAC has confirmed their vision to maintain Education, Consultancy, Veterinary Centre activities and a small Research & Development team in the Aberdeen area. In the short term, SAC's objective is to consolidate the current estate to reduce overall costs while planning the longer term rationalisation of the

estate with the aim of holding the minimum assets necessary to realise the overall business objectives.

- 5.8 While SAC wishes to preserve an independent identity, it recognises the importance of flexibility and, particularly in the case of Education, the benefits of Partnering to the student experience and the ability of partners to provide infrastructure that SAC could not provide independently.
- 5.9 As a result of the option appraisal, SAC proposes to consolidate all current activities into the Ferguson building in the short term with the exception of the Veterinary Centre which will remain on its current site. In the medium to long term, education will be relocated off campus into leased accommodation at a partnering host facility and the Craibstone site redeveloped, excluding the Veterinary Centre which could be extended to accommodate additional Consultancy and R&D staff.
- 5.10 Based on discussions to date, the delivery of the Partnership Model in Aberdeenshire is expected to involve provision of an educational facility in association with Robert Gordon's University (RGU) in Aberdeen. RGU have expressed an interest in partnering with SAC at their Garthdee campus and are willing to consider alternative procurement options for a facility, including sale of land to SAC with subsequent new build or new build by RGU and lease to SAC with potential for shared use of facilities which may reduce the overall level of facility required.
- 5.11 The following is a summary of the works proposed over the implementation period:

Short Term Actions

- Consolidate all activities on site into the Ferguson Building. Complete alterations and Disability Discrimination Act (DDA) works to accommodate this.
- Close the existing refectory and replace with snack facility in Ferguson.
- Make provision for self catering at Sutton Hall.
- Short term let of available space within Ferguson Building.
- Let excess accommodation on site ahead of development of site.
- Veterinary Centre undergoes necessary repairs and DDA works with a view to remaining on site long term.
- Livestock facilities maintained pending relocation of R&D posts.
- Let space vacated by Research & Development staff when relocated from Ferguson.
- Development brief prepared for Craibstone as an early action with the local authority, seeking redevelopment on optimum terms.

Medium/Long Term Actions

- Relocate education to leased facility in Aberdeen e.g. at Robert Gordon University. Planning is for 250 students.
- Small extension to the Veterinary Centre to accommodate consultancy and R&D staff if relocated from Ferguson.

Benefits

5.12 This proposal has a number of significant benefits that fit with SAC's overall goals and requirements.

- Short term actions result in reduced running costs for estate whilst creating a fit for purpose facility compliant with DDA requirements.
- Maintains SAC long term presence in Aberdeen and fits with objectives of Divisional Business Plans.
- Fit for purpose educational facility of appropriate scale and flexibility created in medium to long term, through partnering approach.
- Strategy acknowledges complexity and timing of planning issues associated with the Craibstone site with a view to obtaining best value.
- Maintains business continuity.

5.13 The costs of this proposal are presented below in March 2004 prices:

Development Aspect	Cost/Revenue (£m, incl VAT where applicable)
Capital Costs	
Short term consolidation at Ferguson plus expenditure at Veterinary Centre & Sutton Hall (excluding DDA expenditure which is already funded and committed)	£0.68m
Extension to the Veterinary Centre to accommodate Consultancy and R&D (if required, see paragraph 5.17)	£0.53m
Lease Costs	
Fit out costs associated with the leasing of a stand alone facility on host campus	£0.96m
Indicative costs associated with lease of educational facility in medium to long term. It should be noted that this figure could vary significantly depending upon the configuration of the space used which can also have an impact on total net internal areas. A prudent approach has been taken for business planning purposes.	£0.22m pa
Land Value	
Value of excess land and buildings excluding the Veterinary centre	£9.50m

5.14 Although it is recognised that a leased solution for education facilities best fits SAC's affordability criteria, further discussions with host organisations will be required regarding the terms of provision and the possibility of a new build option must be retained. However, a new build option could only be pursued if additional receipts were received from other sources within the planning timescale for the new facility.

Redevelopment Strategy

5.15 A number of meetings have been held with Aberdeen City Council (ACC) about development of the Craibstone estate both in terms of planning and local economic development, taking note of the recent announcement of the route of the Western Peripheral route and the development of the Local Plan. SAC is encouraged by the constructive discussions that have been held to date.

- 5.16 SAC has welcomed a number of approaches that it has received for potential letting of excess space at Craibstone. This has led recently to the signing of a lease with an Aberdeen University spin-out company. In addition, there is an ongoing dialogue with Robert Gordon University about its potential requirements for postgraduate accommodation.
- 5.17 It has also been identified that the Craibstone estate and the Ferguson building in particular may provide the opportunity for a sale and lease back arrangement, providing SAC with a land sale receipt prior to vacant possession on the basis that lease payments would remain for SAC's on-going occupation of the Ferguson building. This would enable SAC to fund other parts of the development programme and allow works to progress more quickly. This approach will be tested in conjunction with the property advisors, seeking to ensure that Best Value is achieved.
- 5.18 SAC have appointed consultants to produce Development Briefs for both Craibstone and Auchincruive.

Ayr (Auchincruive)

- 5.19 The vision for Ayr is to maintain Education, Veterinary Services, Consultancy Services and Poultry R&D in Ayr with some of these facilities retained at Auchincruive.
- 5.20 Following review of a variety of options for securing academic space, the delivery of the Partnership Model in Ayr is expected to involve the joint development of a revitalised and expanded HE/FE campus with the University of Paisley and with Ayr College located nearby at the Craigie Campus. Paisley University has expressed an interest in working with SAC on the development of their educational provision and it is anticipated that this will also extend to the provision or use of shared facilities, enabling each organisation to benefit from the economies of scale which can be secured through campus development. This arrangement would provide an integrated cosmopolitan campus for students undertaking a wide range of courses. This is currently being pursued, however there remain various options and uncertainties including planning approvals. It is understood that there is considerable local political support for the development of the HE sector in Ayrshire.
- 5.21 Given the extent and condition of the existing Auchincruive estate it is proposed that consolidation works are undertaken in order to allow all facilities to remain at Auchincruive in the short term. SAC will maintain a quality service whilst ensuring retention of flexibility to react to evolving circumstances, not least associated with potential disposal options for the development of Auchincruive. SAC also intend to retain local provision of consultancy services including the Veterinary Centre and R&D through the Poultry Unit at Auchincruive. In implementing the above, SAC will seek to maximise efficiency by reducing the estate provision to the minimum commensurate with their core business objectives.
- 5.22 A new Veterinary Centre will be built at Auchincruive in the medium term and the poultry facility will remain in Ayrshire in the long term. The remainder of the Auchincruive site will be disposed of over time through a development brief process in consultation with the local authority. The following is a summary of the works proposed over the implementation period:

Short Term Actions

- SAC will consolidate all operations within the Auchincruive site. Education will be consolidated in the John Hannah building, with consultancy and education in the John

Niven Building. Limited repairs, alterations and DDA works will be necessary to achieve this.

- Student residencies will be maintained with limited works to Wilson Hall to provide self catering facilities.
- The refectory will be closed, with other catering arrangements being provided within the Cronin Building.
- Oswald Hall will remain in the short term. Additional kitchen facilities will be provided as necessary when the refectory is closed.
- Following consolidation, various properties will be vacated and closed pending long term sale of the majority of the site.
- A development brief process is being undertaken in consultation with the local authorities with a view to disposal of areas of the site surplus to SAC requirements, including the farm.

Medium/Long Term Actions

- In medium to longer term, dictated by progress at the Craigie Campus development in Ayr, education will relocate off site to a new purpose built facility on the Craigie Campus. Planning is for 450 students although flexibility will be required subject to partnering agreements being developed.
- Veterinary Centre to be replaced at Auchincruive in medium term.
- Long term it is envisaged SAC will occupy the John Niven Building, Veterinary Centre and poultry facility at Auchincruive.

Benefits

5.23 The proposal provides a series of benefits to SAC including:

- SAC's long term presence in Ayrshire is maintained, with provision of courses to meet the demands of local students.
- Current short term actions will reduce operating costs as various buildings are "mothballed".
- A new build education building will provide a fit for purpose, flexible facility that promotes partnering with the host organisation.
- Recognition of the complexity of planning and other issues associated with the Auchincruive campus, while addressing short term concerns including DDA, maintenance obligations and seeking to obtain best value.
- Maintains business continuity and releases assets to invest in achieving SAC's strategic objectives.

5.24 Although SAC will remain open to alternative means of provision of education space at Craigie Campus, discussions to date have concluded that SAC would require to provide capital funding for any development. However, it is envisaged that shared facilities would be developed with the other educational institutions, seeking to maximise the benefits of a joint educational campus. Although procurement options are covered later in this report, SAC will consider all options at Craigie Campus, seeking to achieve best value for money alongside the need to maintain some flexibility for future changes in student demand.

5.25 The costs of this proposal are presented below in March 2004 prices:

Development Aspect	Cost/Revenue (£m, incl VAT where applicable)
Short term consolidation on site including alterations (excluding DDA expenditure which is already funded and committed)	0.82
Purchase of Land & Construction costs for Education Facility	6.30
Construction of new Veterinary Centre	2.19
Land Value	
Value of surplus site	1.50*

*In the earlier Deloitte reports, a value of £4m was assumed for vacant possession of the full site whereas this value assumes retention of Veterinary Centre, Poultry and Consultancy Offices on Auchincruive with consequent diminution in overall value of the estate.

5.26 The above short term consolidation costs (which exclude DDA costs which are funded through specific grant award) are offset by savings in running costs of c£150k pa over 4 to 5 years and are justifiable given the anticipated timescales required to procure a new education facility at the Craigie Campus.

Land Sale Strategy

5.27 A Masterplanning Group for the Auchincruive estate has been in existence for some two years. The Group is led by SAC and includes membership from Scottish Enterprise Ayrshire (SEA), South Ayrshire Council (SAyrC) and East Ayrshire Council (EAC). The Councils' representation provides advice both in terms of local economic development and planning. Regular updates on progress are provided to the Ayrshire Economic Forum, of which SAC is a member.

5.28 It was concluded by the Group, and endorsed by the SAC Board, that the way to take forward the plans for alternative uses for the estate is by creation of a Development Brief. This would include planning information and would be made available as widely as possible.

5.29 In January 2004, SAC was invited to join the Auchincruive All Party Working Group, chaired by SAyrC and comprising local politicians from all parties. SAC's membership of this group is warmly welcomed; close liaison with the local political community during redevelopment of Auchincruive will ensure a wide appreciation of the issues involved.

Edinburgh (Kings Buildings and Bush Campus)

5.30 The SAC vision for Edinburgh is to consolidate most of their provision of degree level education at Kings Building (KB) and to significantly grow the student numbers in the medium term. The intention is to provide this service and the Headquarters (HQ) function from a refurbished Kings Building. The programme of implementation of works will be structured to retain flexibility and reflect the actual demand for student places. Bush campus and associated farms will become the main focus for animal research and development activities. Given the issues associated with the SEERAD's ABRG review and other initiatives in this regard, development is expected to be incremental and to be carried out in partnership with other organisations in the Edinburgh area, primarily the University of Edinburgh.

5.31 As a result of the option appraisal, it was concluded that the following works should be undertaken:

- **Kings Buildings** - Appropriate refurbishment plus essential alterations and repairs of Kings Buildings to consolidate education, corporate HQ and part of the R&D Division for the long term.
- **Bush Campus** - Essential alterations and repairs to the Sir Stephen Watson Building including limited refurbishment to facilitate consolidation on site for the sustainable livestock/Animal Health Groups of the R&D Division. Retain Pentland Building (for Consultancy and Corporate), CT Scanner, Veterinary Centre with rationalisation of other buildings on site.

5.32 The proposals at Bush avoid the need for a major new build and assume only a 25% contribution from SAC to the cost of refurbished animal facilities at Bush. The following is a summary of the works proposed over the implementation period:

Short Term Actions

- Consolidate Education, Corporate HQ and part of Research and Development division into KB.
- Complete necessary alteration works to KB to accommodate consolidation, essential maintenance and repairs including DDA alterations.
- Edinburgh University retain one floor within KB. Ownership of the site remains as present. (80% SAC, 20% University of Edinburgh)
- Consolidate Sustainable Livestock Systems and Animal Health Group activities on Bush Campus primarily in the Sir Stephen Watson Building (SSWB).
- Complete necessary alterations to SSWB including essential repairs and maintenance, extension, partial refurbishment and DDA works.
- CT Scanner retained on Bush Campus along with the Veterinary Centre, Analytical services building and Pentland Building. DDA works and essential repairs only.
- Various other buildings become redundant and can be mothballed.

Medium/Long Term Actions

- Further works to KB implemented over time through a planned maintenance regime
- Further refurbishment/maintenance of SSWB will be implemented over time through a planned maintenance regime.
- Develop Sustainable Livestock facilities at Edinburgh farms to meet Home Office standards and requirements of R&D Division. It is recognised this is potentially a major investment for SAC and can only proceed on the basis of satisfactory partnership arrangements. Discussions are currently underway with other partners (Moredun, Roslin and Edinburgh University) with a view to the development of an Animal Bioscience Centre in line with recent recommendations of the Scottish Science Advisory Committee.

Benefits

5.33 This proposal has a number of benefits which should assist SAC in realising their overall business objectives.

- Limits the requirements for capital expenditure whilst creating facilities that will allow SAC to progress their overall Transformation Plan.

- Retains flexibility and accommodates incremental growth of educational provision (target 500 FTE students by 2010/11) at KB.
- Recognises the uncertainties with the provision of Research and Development facilities/requirements in the wider funding context and allows time to develop current discussions with University of Edinburgh, Moredun & Roslin.
- Maintains business continuity linking with developments on other campuses.

5.34 The costs of this proposal are presented below in March 2004 prices:

Development Aspect	Cost (£m, incl VAT)
Short/medium term alterations/repair/part refurbishment at Kings Building (excluding DDA expenditure which is already funded and committed)	4.36
Short/medium term alterations/repair, extension and part refurbishment at Bush Campus (excluding DDA expenditure which is already funded and committed)	2.19
Provision of upgrade to the Animal Facilities at Bush. 25% funded by SAC (Total cost £6.76m)	1.69

Overall Space Provision

5.35 The Phase 3 Deloitte study identified that the existing Education/Research campus, calculated on the basis set out in the report, was 58,850sqm at the three main campuses and Bush estate. This report also assessed that the aggregate campus planning requirement, on assumptions stated in the report, was some 12,800sqm (ie 22% of current).

5.36 Based upon the strategy set out within this report the revised campus planning requirements are as set out below:

Location	Current Areas per Deloitte Phase 3 Report (sqm)	Total Area - Planning Assumption (sqm)	Education Area – Planning Assumption (sqm)
Aberdeenshire	12,350	2,384	1,890
Ayrshire (incl. poultry)	27,100	3,382	3,238
Edinburgh – Kings Buildings	10,000	8,727	6,404
Edinburgh - Bush	9,400	2,373	0
Total	58,850	16,866 (29%)	11,532

5.37 The above areas are higher than the Deloitte recommendations primarily as a result of the proposed retention of education facilities in Ayrshire and Aberdeenshire, in conjunction with the inclusion of the full education space available at Kings Buildings where utilisation is expected to increase as student numbers grow over time. The planned areas include new education facilities at Aberdeen which are currently proposed to be leased, and new Education facilities in Ayr at Craigie Campus.

Consultancy Offices and Veterinary Centres

5.38 SAC has a network of 23 Consultancy Offices and 8 Veterinary Centres located throughout Scotland including three on the main campuses. These have been reviewed in context of the

Partnership Model and the Consultancy Divisional Business objectives. Consideration has been given to:

- Any proposed works necessary to repair, alter or upgrade offices
- Proposed consolidation where modern, attractive and fit for purpose offices can be provided by purchase or lease of alternative accommodation.

5.39 The review has identified that the estimated current estate floor area (owned or leased) could be made more efficient with an estimated reduction of approximately 10-15% through leasing of surplus space, whilst maintaining the existing geographical network of sites. This would be carried out along with the ongoing development of Veterinary Centres including planned upgrading at Craibstone and replacement at Auchincruive and would be in addition to the current programme of renewal during 2004 for the Thurso, Dumfries and Perth Centres. The overall benefits would be:

- Improved efficiency by better aligning space requirements to needs.
- Facilities better able to accommodate the fitness for purpose requirements.
- Reduced estate maintenance budget.

5.40 The financial impact would be:

- Capital receipts could be obtained through sale estimated at £1.148 million primarily related to the Inverness site.
- Estimated annual lease costs rise by £28,000 per annum but for Consultancy Services this will be offset by reduced internal overheads.
- Expenditure of £475,000 is required to upgrade/extend the facilities maintaining the existing network in addition to DDA expenditure planned for the current year.

6 Financial Appraisal

Overview

6.1 The financial analysis for the Business Transformation Plan consists of the following elements:

- A review of the project costs and income, including land sales.
- Affordability analysis
- Investment appraisal and value for money analysis
- Risk and sensitivity analysis.

Financial Model

6.2 Quayle Munro prepared a financial model for undertaking the financial analysis. The inputs for the financial model were provided by SAC and their technical advisors (T&T) with land sale and purchase prices provided by the property advisors, D M Hall.

6.3 In order to undertake an assessment of affordability and value for money, it is necessary to consider the project over the longer term. This allows the project costs to be evaluated on a whole life costing basis, taking account not only of initial capital costs but also of the costs of maintaining and renewing the buildings over a longer period. In addition, this allows any difference in revenues to be considered such as the potential for additional income to be generated. The success of this plan depends on Scottish Ministers' agreement that SAC can re-invest revenues arising from the sale of those assets in which Ministers have some financial interest.

6.4 A term of 20 years from March 2004 has been adopted as the assessment period. This assumes that the primary funding for the redevelopment would be through land sale, with additional debt only being drawn down if required. A term of 20 years is consistent with the evaluation period used in the earlier Deloitte reports. The key inputs to the financial model can be summarised as follows.

Inflation

6.5 In order to evaluate future costs and revenues, it is necessary to model the impact of inflation, particularly where costs and revenues are not expected to increase (or decrease) at the same rate. Since land costs and revenues are an important aspect of the Transformation Plan, inflation on land values was considered separately from general inflation. However, DM Hall recommended that no inflationary growth be assumed for land at either Auchincruive or Craibstone given uncertainties with respect to planning and timescales for sale.

6.6 Construction costs also do not always follow general inflationary trends and these are monitored in separate indices, primarily the Building Cost Information Service Tender Price Index (BCIS TPI). Construction costs have therefore been calculated according to the construction programme assumptions, ie a delay in construction would result in a real increase in construction cost. The financial model has been prepared at a price base of March 2004 and all cost inputs have been prepared at this price base.

SAC Income and Expenditure

- 6.7 SAC have considered forecast Income and Expenditure statements over the 20 year evaluation period and have concluded that under a “Do Nothing” scenario that SAC will generate annual cash surpluses, prior to depreciation charges, of around £0.40m for the period of evaluation. This assumes that future levels of recurrent grant-in-aid funding from SEERAD increase by at least the rate of inflation, from a base level of £17.5m in 2004/05 and that commercial operating conditions will enable a cash surplus to continue to be generated.
- 6.8 The level of funding for Education at SAC has been assumed to remain above SHEFC funding norms during the period of transformation, given the additional costs inherent in SAC’s historical infrastructure (see Chapter 3). It is primarily those costs which this Transformation Plan seeks to address. In addition, it has been estimated that capital grants will provide a further £400,000 towards the cost of estates development for the next 5 years. SAC will therefore generate a total of £800,000 per annum during the development period and prior to consideration of reconfiguration and reorganisation costs. These funds will be used to offset some of the costs of the redevelopment.
- 6.9 In addition, SAC estimates that at September 2004, approximately £1.1m will be available as cash from the proceeds of an earlier land sale which could be utilised as a contribution towards the capital costs of the project.
- 6.10 An adjustment has been made in the financial model for funding of £0.7m already provided by SEERAD for DDA expenditure in the 2004/5 financial year across all three campuses. The construction costs presented earlier exclude for the cost of the DDA works which are due to be undertaken in the coming year.
- 6.11 SAC considered the impact of the overall estates rationalisation in relation to both income and expenditure and identified the variations against the current financial position as presented in the following tables at current prices.

One-off income and expenditure

Heading	Amount (£m)	NPV of Cost/Income (£m)	Comments
One-off Income Generation			
Cash Balance at September 2004	£1.11m	£1.08m	Based on current cash balance and cash generation from sale of assets
Consultancy office savings	£0.67m	£0.60m	Rationalisation of consultancy offices
One-off Expenditure			
Redundancy Costs	£1.15m	£1.03m	Includes both R&D and Estates staff
Relocation Costs	£0.54m	£0.47m	Staff transfers between sites
Approx. Total (ignoring timing differences)	£0.02m	£0.22m	

Annual Income and Expenditure

Heading	Amount (£)	NPV of Cost/Income (£m)	Comments
Annual Income			
Cash generation	£0.40m pa	£4.62m	Cash generation under normal operating conditions until 2024
Capital Grants	£0.40m pa	£1.51m	SEERAD grants, assumed for 5 years
Annual Expenditure			
Utilities savings	£0.20m pa	£2.32m	Saving from operating in more efficient buildings
Lifecycle and Maintenance savings	£0.25m pa	£2.96m	Anticipated cost from being in largely refurbished buildings (savings expected in early years following completion, costs rise thereafter)
HR cost savings	£0.50m pa	£6.49m	Savings through reduced staff numbers
Approx. Total (ignoring timing differences)	£1.75m pa	£11.98m	

VAT

- 6.12 A prudent assumption has been made for the purposes of this business case that no VAT on construction is recoverable. Lifecycle costs have VAT added in full. Discussions with SAC's auditors confirmed that this is an appropriate assumption for inclusion in the Transformation Plan based on previous experience of recoveries on other projects.
- 6.13 The auditors highlighted that any VAT recovery is dependent on several factors, including the extent to which the buildings will be used for business purposes, the level of fixtures and fittings included in the construction cost, and whether the buildings are leased and in what form the lease takes. Indicative recoveries on similar projects have been in the region of 10%. Notably, any potential VAT recovery is not guaranteed and would require acceptance by Customs and Excise. Detailed investigation of potential VAT recovery will be required at the implementation stage.

Lifecycle and Maintenance Costs of Buildings

- 6.14 Lifecycle costs are those costs attributed to replacement of elements of the buildings, whereas maintenance costs are the costs of keeping the buildings in good running order, including both staff and non-staff (eg materials) costs. When analysing historic records, it is often difficult to determine what costs can be attributed to lifecycle, except for large replacement items which are irregular.
- 6.15 However, when assessing the costs of new or refurbished buildings over the long term, it is essential to ensure that sufficient provision is made for future renewals and ongoing annual maintenance costs. Lifecycle replacement costs and maintenance costs have therefore been separately assessed by T&T and these total costs used to compare against the current budgets provided by SAC.

- 6.16 No savings have been assumed in the period up until construction completion since it is anticipated that the works will put greater pressure on the existing maintenance resources. However, it is anticipated that, following disposal of excess land holdings, savings in estates and grounds maintenance expenditure will be around £0.20m.
- 6.17 Since the proposals involve limited refurbishment at Kings Buildings and Bush, lifecycle requirements have been costed at higher ongoing values than current expenditure since much of the maintenance and refurbishment work will occur in later years. At Ayr and Aberdeenshire, since new buildings are proposed (either through lease or capital purchase), maintenance obligations are anticipated to be significantly less than current, especially at Auchincruive where the campus area will be significantly reduced.

Options for Space Provision

- 6.18 SAC will seek to ensure that future decisions regarding the provision of longer term facilities under the Partnership Model seek best value and take account of the options which exist, including:
- New build by SAC
 - New build by an Education Partner, with space leased to SAC
 - Sharing of existing educational facilities.
 - Lease of alternative space.
- 6.19 As has been outlined in the previous chapter, the proposal for Aberdeenshire involves lease of an education facility whereas the capital cost of a new facility is included for Ayrshire. This solution is based on detailed affordability analysis but will be subject to further review as the implementation programme develops and the future funding position of SAC becomes clearer. Both lease options and new build are dependent upon land being available and satisfactory planning approvals, amongst other factors.

Affordability

- 6.20 The financial model has been utilised to forecast the project costs and revenues for 20 years, from 2004 to 2024. During the option appraisal stage, the financial model provided an indication of the affordability of options, given a set of assumptions about future revenues and costs.

Optimism Bias and Risk Analysis

- 6.21 The Treasury's Green Book highlights that the public sector has a tendency to underestimate the cost of projects. This can occur for a variety of reasons including:
- pressure to keep costs down and maintain affordability
 - change in requirements
 - risk occurrence (eg poor ground conditions, delays, etc)
 - impact of inflation (construction or land costs).

- 6.22 The Green Book calls this tendency 'Optimism Bias' and recommends that an allowance is introduced into cost planning, with higher amounts used at the earlier stages of project appraisal. It recommends that as a more detailed understanding of the risk profile of the project develops, that the Optimism Bias is reduced and replaced with specific risk allowances.
- 6.23 The Green Book's upper and lower bounds for Optimism Bias on capital expenditure for standard building projects (to which this project relates) are 24% and 2% respectively. For this business case, it is recognised that planning is at an early stage and that programming assumptions are approximate – construction inflation assumptions could therefore be subject to review although the current assumptions are believed to be prudent. In addition, only an outline specification of requirements has been developed which could result in some significant changes during the more detailed implementation stages. However, the buildings proposed are likely to be straight-forward, without complex design aspects or difficult site conditions. It is also proposed that cost certainty is sought through the procurement process to avoid the potential for cost increases during the construction stages.
- 6.24 Overall, these factors would suggest an optimism bias towards the higher end of the range given. However, it is assumed that the prudent assumption on land values (that no increases will occur over time) will offset some potential cost rises if they occur and could have a significant overall beneficial impact on the project. An optimism bias or project contingency of 10% of total construction costs has therefore been adopted for this analysis.
- 6.25 An important aspect of project planning is therefore the identification and mitigation of risks, to ensure that appropriate steps are taken to avoid risks and that allowances are made where applicable for risks that might arise.

Assessment of Risk and Uncertainty

- 6.26 The approach which was taken to risk in preparation of the estate strategy was aligned to the assessment of affordability and value for money. Its primary purpose was to identify the key risks and to consider the potential implications where they could materially affect affordability. The approach used involved:
- Identifying and explaining the important areas of risk and uncertainty.
 - Assessing the impact of risk by constructing and populating a scoring matrix.
 - Examining those scores in the matrix which are fundamentally important to the analysis and require further explanation in more detail.
 - Interpret the outcome of the analysis through sensitivity analysis.
- 6.27 The following table summarises the risks which have been identified and comments on them:

Risk	Commentary
Project cost over-run	This is an inherent risk in any complex project. These risks can be mitigated by robust cost planning and appropriate management procurement strategies. Refurbishment, new build and leasing have different levels of risks. It is considered that refurbishment of existing buildings, particularly where there is a need to maintain services, has significantly greater risks of cost overruns than a new building. New build has some other risks for example associated with ground conditions. However, such risk can be mitigated by site investigation and appropriate procurement.
Project timetable	Such risks are again inevitable in complex projects. Detailed planning based on

over-run	realistic assumptions combined with appropriate project management techniques and procurement strategy will assist the mitigation of these risks. A number of the other risks identified could have a direct impact upon project timetables.
Property receipts vary	The disposal values achieved for assets could significantly vary from those assumed. In all areas this is significantly influenced by market conditions and to planning consents. It is again noted that prudent assumptions have been made regarding future land values.
Lack of availability of suitable sites	Assumptions have been made about the availability of sites. If costs or locations differ from those assumed there could be significant implications for the proposals.
Partnership arrangements fail	Assumptions are made regarding the partnering arrangements for education. Given that these discussions have not been concluded and indeed may be dependent upon third parties, (e.g. planning authorities) there is clearly a residual risk that these may not be concluded as currently envisaged.
Planning Assumptions not Realised	Planning status is critical to SAC realising its estate strategy. To a degree this will be reflected within the value of capital receipts. However, it will also have an impact on ongoing operations and programmes.

6.28 As the implementation plan develops, each of the above risks will be evaluated and quantified with mitigation strategies developed to ensure that any impact is minimised. It is recommended that this aspect of the Business Transformation Plan is developed in more detail at the next stage of analysis.

Bank Debt

6.29 SAC's Board have concluded that the maximum level of additional debt which they would be prepared to accept would be £5m, in addition to the current debt level of around £5.4m (as at March 2004). Consideration will however be given to alternative procurement structures which might reduce SAC's risk and funding requirements (eg combining construction and land sale, including PFI/PPP). Since the timing of land receipts is in some cases delayed until after completion of construction of some buildings, bridging finance could be required to provide the capital for funding construction costs.

Grant Funding of Education Facility at Craigie Campus, Ayr

6.30 The financial analysis demonstrated that the most significant costs arise in Ayr where the land value is not sufficient to fund the proposed educational facility on Craigie Campus. Leasing is not an option in this location due to the lack of appropriate alternative facilities and funding for other educational providers (who could build and then lease back to SAC).

6.31 In order to fulfil the objectives of the Partnership Model and provide fit for purpose educational facilities in Ayr, a grant of up to £5m is required from SEERAD to supplement the income from land sales. SAC will reinvest any additional funds from the release of assets at Auchincruive in conjunction with the use of the grant for facilities in Ayr.

Value for Money

6.32 This report utilises Net Present Values (NPV) to assess the financial performance of the proposals over a 20 year period from 2004. This is consistent with the earlier Deloitte analysis which also used a 20 year evaluation period, although commencing in the financial year 2002/3. No account is taken of residual values in the analysis although their impact

would not be significant after discounting over 20 years. VAT costs are included in the construction costs as the income assumptions provide for VAT. The base date for the NPV analysis is March 2004.

- 6.33 NPVs are calculated using the Treasury's recommended discount rate of 3.5% (real, excluding inflation) with general inflation of 2.5% assumed where no other inflation assumption is applicable to give a nominal (inflation inclusive) discount rate of 6.09% being applied to future cashflows. As recommended in the Treasury's Green Book, the sensitivity to risk and optimism bias has been considered separately through specific risk adjustments.
- 6.34 In the Phase 3 Deloitte report, a discount rate of 6% was applied to future cashflows which is similar to the approach used in this analysis. However, since both costs and revenue inputs have been further refined since the Deloitte report, a direct comparison of NPV results may not be appropriate.
- 6.35 The following table presents the NPV of the proposals, evaluated over 20 years, identifying the contributing elements to the build up of the NPV.
- 6.36 In Aberdeenshire, because the land value of Craibstone is significantly greater than the projected construction costs, the contribution to the overall NPV from construction, land, lease and maintenance costs is positive. In Ayrshire, initial consolidation produces efficiencies through savings on maintenance and running costs and gives SAC the maximum flexibility and efficiency for future site development whilst continuing to deliver a high quality service. However, construction costs are significantly greater than estimated land values, resulting in a negative contribution to the overall NPV.

Cost or Revenue	Contribution to Net Present Value
Construction, Land, Lease and Maintenance Costs	
Ayr	-5.85
Aberdeen	5.40
Kings Buildings	-7.24
Bush	-5.37
Project Risk Contingency (Optimism Bias)	-1.97
One off income and expenses	
College cash balance at 30 Sept 04	1.08
Consultancy office savings	0.60
Redundancy and relocation costs	-1.49
SEERAD grant	3.95
Annual Income and Expenditure	
SEERAD capital grants, assumed for 5 years	1.51
Cash generation under normal operating conditions until 2024	4.62
Consultancy office cost	-0.32
HR personnel savings	6.49
Net Present Value (at 6.09%)	1.41

- 6.37 The proposals produce a positive NPV over the evaluation period. If capital funding of a facility in Aberdeenshire is introduced, the NPV reduces to £1.35m which reflects the slightly higher cost (in NPV terms) of capital investment over the evaluation period.

Funding Analysis

- 6.38 The following table presents the costs of the Partnership Model with the associated funding requirements:

Project Costs	Revenue/ (Costs) in £m
Construction costs	-22.53
Land Purchase	-1.08
Financing costs (interest on loan)	-0.30
Project risk contingency (Optimism Bias) of 10%	-2.25
Stamp duty	-0.11
Sub-total	-26.26
Project Funding	
SAC Cash Balance at March 2004	1.11
SAC Revenue to March 2009	3.80
Other Land Sales	11.00
Consultancy office savings	0.53
Grant for Craigie Campus	5.00
Additional Debt	3.16
Lifecycle/Maintenance and Utility Costs Savings	1.34
Human Resources costs savings (net of redundancy costs and salary savings)	0.32
Sub-total	26.26

Sensitivity Analysis

- 6.39 Sensitivity tests are a means of testing the impact of a change in a set of circumstances, often potential outcomes from the risk analysis, and identifying the consequences on the financial analysis. The sensitivities have been selected to reflect potential changes during the development phase to March 2009 when construction completion is anticipated. This is to consider the impact on the anticipated debt requirement at that point and the affordability of debt servicing.
- 6.40 The Transformation Plan contains an element of risk hedging. For example, downside sensitivities are likely to be offset by potential increases in land sale values. Currently land proceeds have been included at current market values and no inflation assumptions have been made to the actual time of sale.

6.41 The following table illustrates the impact on the model under various different sensitivities:

Sensitivity	NPV	Total land purchase and construction costs	Total land receipts	Debt level at Mar 2009	Max bridging finance level (semi-annual period)	Repayment period for loan (years from Sep 2009)
Base Case	0.82	30.08	-11.00	-3.16	-3.78 (Sep 05)	6
Interest rate rises by 3% to 10%	0.44	30.08	-11.00	-3.30	-3.80 (Sep 05)	6
Optimism Bias increased from 10% to 25%	-4.72	34.18	-11.00	-7.00	-7.00 (Mar 09)	20
Optimism Bias reduced from 10% to 0%	3.16	27.34	-11.00	-0.73	-3.23 (Sep 05)	1
Reduction in land sales by 20%	-2.64	30.08	-8.80	-5.70	-5.70 (Mar 09)	17
Increase in Land sales by 20%	3.14	30.08	-13.20	-0.80	-3.78 (Sep 05)	1
Reduction in SAC annual cash generation by 10%	0.57	30.08	-11.00	-3.38	-3.84 (Sep 05)	6

6.42 The sensitivity analyses illustrate that the effects of increasing construction costs (modelled through increasing the optimism bias) are significant, without compensating increases in land sale receipts. A rise in the optimism bias from 10% to 25% would result in the project being unaffordable due to debt levels being above SAC's maximum level which is illustrated by the 20 year repayment period calculated.

6.43 Changes to SAC funding (reflected in the test considering reductions in cash generation) could be significant for SAC in the longer term depending on the level of change. In the short to medium term, a reduction in funding would increase the level of borrowing which SAC would require to fund the overall project and reduce its ability to service the debt following project completion.

Procurement Routes

6.44 A detailed procurement strategy has still to be developed in respect of the Business Transformation Plan. Key factors in preparing this will be the ability to deliver SAC's stated objectives, achieving programme targets, given the constraints that exist, achieving good cost and quality control whilst ensuring value for money.

6.45 The nature and diversity of the transformation plan is such that a flexible approach will be necessary in finalising the procurement options. At this stage it is considered likely that the procurement will involve a series of contracts/developments at the various locations. In all cases, current best practice guidance will be followed in the selection and appointment of

both design consultants and contractors/developers. In addition, European Procurement rules will be strictly adhered to, as appropriate for the contracts once defined.

- 6.46 The expectation is that the selection of designers/contractors/developers will be carried out using a cost/quality matrix, with weightings being established as appropriate for the specific contract based on best practice guidance.
- 6.47 Short term consolidation works are likely to involve a series of building contracts. Once the precise extent of these works is established, the most appropriate form of contract will be considered through an open and objective review of the options and their attributes against SAC's objectives for each contract.
- 6.48 For the main building works at Auchincruive, Kings Buildings and Bush, contract forms which provide for cost certainty will be considered, including Design & Build.
- 6.49 The disposal strategy for Auchincruive and Craibstone, is being jointly developed with SAC, their specialist advisers, the local authorities and other relevant parties who have an input to these sites. SAC will continue to work with the appropriate parties to create development briefs and masterplans for the sites and subsequently obtain development proposals. The planning authorities have an important role in this regard and the intention will be to fully engage them in the process.

Conclusion

- 6.50 It can be concluded that, in terms of capital funding, the Partnership Model can be delivered with a capital grant from SEERAD of £5m and additional debt drawdown of around £3m. Bridging finance may be required because construction works will be undertaken prior to land sale although the development brief process may identify solutions to this. A sale and lease back solution requires to be progressed at Craibstone in order to facilitate the implementation of this plan. In terms of recurrent funding, this plan is affordable, given moderate assumptions for growth of SAC's commercial business, together with continuing Grant-in-Aid from SEERAD which keeps pace with general inflation in the economy.

7 Implementation Strategy

- 7.1 The general timing of the proposals for each campus has been reviewed with SAC in light of the various business constraints which impact on this.
- 7.2 A detailed programme for the implementation of the estate strategy is subject to a series of uncertainties at this stage, often related to third parties over whom SAC have limited influence. In these circumstances, the following outline programme has been developed to meet the objectives of SAC and has been used for the purposes of establishing a cashflow projection.

Location	Element	Assumed Completion
Aberdeenshire	Consolidate in Ferguson	Q2 2005
	New Education Facility	2008
	Sale of the majority of the Craibstone Estate	2009
Ayrshire	Consolidate at Auchincruive	Q3 2005
	New Veterinary Centre	2008
	New Education Facility	2009
	Sale of the majority of the Auchincruive Estate	2009
Edinburgh	Repair/Alterations at Bush	Q2 2006
	Repair/Alterations at Kings Bldg	Q3 2006
	Upgrade of Animal Facilities	Q4 2006
Advisory Offices	All initial works to network completed	2007
Veterinary Centres	Dumfries	Q3 2004
	Perth	Q1 2005

- 7.3 Recent land sales, together with existing SEERAD capital grants, have already facilitated the initial stages of this Transformation Plan in relation to the development of Veterinary Centres. The rationalisation/upgrading of Consultancy accommodation is proceeding and will be ongoing for the duration of this plan.
- 7.4 It is recognised that establishing new educational facilities at host organisations in Ayrshire and Aberdeenshire could take some time, although it is anticipated that this process could be completed more quickly in Aberdeenshire primarily due to the level of discussions undertaken so far and the lack of planning or funding issues. As a result, it has been concluded that the redevelopment of the Craibstone site will commence once this Business Transformation Plan has been agreed by the Minister. This will include consideration of sale and lease back arrangements which may provide for early receipt of funds which will be required to take forward the remaining elements of the Partnership Model.
- 7.5 In Ayrshire, discussions with other institutions and with the local authority will be taken forward, highlighting the relationship between the development of an educational campus at Craigie and the need to obtain Best Value from the redevelopment of Auchincruive.
- 7.6 The above programme will therefore be subject to continuous review as discussions develop with potential partners and as land sale proposals are taken forward.