

Implementation of the 2010-11 review of Education Capital

Consultation document

(The James Review)

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Introduction

Sebastian James, Group Operations Director for Dixons, led an independent review of the Department for Education's (Department's) approach to Capital. The review methodology included extensive consultation and a call for evidence. His report '*Review of Education Capital: Sebastian James, April 2011*' (the Review) was published on 8 April and a copy of the full report is available on the Department's e-consultation website (www.education.gov.uk/consultations/).

The Review considered how the Department could achieve better value for money and improve efficiency in capital investment. This is particularly important given the current tight fiscal climate. It is also at a time when, with the expansion of Academies and the creation of Free Schools, we are taking forward significant changes in the schools system to provide greater choice to communities, children, parents and carers. It is important that the response to the Review supports the aims of the Government's Construction Strategy.

The Review's findings and recommendations

A major share of the Department's capital expenditure is spent on schools and this provided the primary focus for the Review. The findings, however, are applicable to capital spending on wider children and young people's services. The report argues that there is a need for reform throughout the system. It demonstrates clearly that the current system is flawed and reveals how the public was let down by:

- complex allocation processes and multiple funding streams;
- a lack of good quality building condition data;
- inefficiency in how buildings are designed;
- a lack of expertise on how to keep improving school buildings;
- a failure to make use of scale in procurement;
- unclear requirements around who should be maintaining buildings; and
- complex regulatory and planning requirements.

In summary, the key Review recommendations are to:

- better target funding to where it is needed most, through use of robust data on where school places are needed for children and young people, and the condition of buildings;
- give local areas more flexibility on how funding is then used, in the context of clear overarching national priorities. There should be local

area decision-making processes on the priorities for capital, involving all the relevant local partners. This would generate an agreed investment plan;

- take a much more standardised approach to the design of buildings, so that unnecessary costs are removed, buildings can be high quality but fit for purpose, and procurement savings become possible through more certainty about what materials and components will be needed;
- procure and project manage larger works through an expert central body, in order to deliver efficiency savings and support delivery of continuously improving and better value education buildings. This central capital body should be staffed by people with commercial expertise;
- reduce bureaucracy and unnecessary burdens by simplifying the school premises regulations.

The full set of recommendations is set out and summarised in Appendix A of the Review and at Annex A of this consultation document.

The Government's Response

Having carefully considered the Review, we agree fully with its aims of focusing the available capital where it is needed most and getting the best possible value from the capital that is spent. We are also clear that the scale and pace of change to the current system needs to be proportionate to the benefits that can be achieved, and taken forward consultatively with partners.

We must ensure that buildings are procured as efficiently as possible, so that the greatest possible number of children and young people benefit from the funding available. We must also ensure that buildings are fit for purpose.

In terms of the Review's recommendations, in summary we agree that:

- the Department for Education must urgently collect robust data on where additional school places are needed for children and young people, and on the physical condition of buildings;
- the funding available should be flexible but used efficiently, allocated by a funding formula that addresses greatest need;
- there should be flexibility in how best to deploy the available funding locally, with partners working together strategically to agree priorities;
- there are potential efficiency benefits from using a menu of standard drawings and specifications for buildings, with national contract and procurement frameworks.

We also accept there is a need to review the regulations and guidance on school premises and will develop proposals on this for further consultation in September.

There are some recommendations that would benefit from further consideration through detailed consultation. For example, whilst we agree that

steps need to be taken to ensure that the best possible value for money is delivered when projects are procured, we are aware that there is a wide range of established options on how this can best be achieved. We also want to ensure that local decision making processes are fair and robust, but are achieved with minimum bureaucracy.

Given our agreement in principle with the Review's aims, and wishing to realise benefits quickly, we are proposing a phased implementation of Review recommendations, which enables managed change and the ability to test the impact of reforms. This consultation, therefore, aims to seek views on a number of key recommendations arising from the Review and the Department's proposed position on taking them forward.

Throughout this consultation we refer to 'Responsible Bodies', this relates to those organisations as discussed in the *'Review of Education Capital: Sebastian James, April 2011'*

'Responsible Body: *responsibility for capital investment decisions across this estate is also complex and it is not simply the owner of an asset that takes the decision as to whether a particular school receives investment, for example it may be the diocese rather than the charitable foundation for a Voluntary Aided school. Throughout the report, bodies that make such strategic investment decisions and which must take ultimate responsibility for the maintenance and management as well as the use of the asset, are referred to as the Responsible Body. Usually, the Responsible Body will be the Local Authority, the diocese, the Academy trust (either individual or multiply sponsored) or the charitable foundation. Of course for all schools, head teachers and governing bodies make most of the day to day decisions on the upkeep of their facilities, often using their delegated revenue funding, and working with the relevant Responsible Body.'*

In addition to this schools-focused definition, Responsible Bodies also include Sixth Form Colleges, University Technical Colleges and Studio Schools, myplace facilities and Sure Start Children's Centres.

Proposals

Use of Basic Need and Condition Data to Determine Local Budget Allocations

Recommendations

'Review of Education Capital: Sebastian James, April 2011'

R1 *Capital Investment and apportionment should be based on objective facts and use clear, consistently applied criteria. Allocation should focus on the need for high-quality school places and the condition of facilities.*

R8 *That the Department:*

- *gathers all local condition data that currently exists, and implements a central condition database to manage this information and;*
- *carries out independent building condition surveys on a rolling 20% sample of the estate each year to provide a credible picture of investment needs, repeating this to develop a full picture of the estate's condition in five years and thereafter.*

We fully agree that any allocation model should be fair and transparent, aimed at addressing greatest need. We already collect pupil place data regularly and are developing this so that we can better target funding to areas where there is greatest basic need pressure.

We do not currently collect condition data across the whole estate, which would allow us to allocate funding according to where buildings are in the worst condition. This is mainly because earlier Departmental programmes, notably BSF, made commitments that the schools estate would be rebuilt, removing the incentive for the department to monitor the condition of buildings. As we have seen, these commitments were deeply flawed and unaffordable. Allocation of funding for maintenance in recent years has therefore been mainly based on pupil numbers, which is not an adequate proxy. There is not a full correlation between pupil numbers and condition needs and this methodology does not provide data on the impact of previous investment.

We agree to immediately starting work on collecting data on the condition of buildings. However, there will be resource implications of introducing centralised data gathering based on 'condition'. With potentially around 27,000 educational buildings to survey, and the need to keep data continually refreshed, the costs would be significant, both in terms of local survey and central management. It would be important to understand what good quality and current condition data is already held locally, which could be utilised in a national collection without being duplicated.

Questions for Consultation

What data on the condition of the local estate should be used alongside pupil and student numbers data, as the basis of a fair allocation to address need across the range of children's and young people's institutions and facilities?

Access to and quality of condition data can be variable. Do you have robust and complete data available, or have you proposals on how it can be gathered and managed most effectively, but at the same time with minimal cost?

Flexible Capital Budget with Local Decision-making

Recommendations

'Review of Education Capital: Sebastian James, April 2011'

R2 Demand-led programmes, such as Free Schools, are most sensibly funded from the centre and a centrally retained budget should be set aside for them.

R3 The Department should avoid multiple funding streams for investment that can and should be planned locally, and instead apportion the available capital as a single, flexible budget for each local area, with a mandate to include ministerial priorities in determining allocations.

R4 Notional budgets should be apportioned to Local Authority areas, empowering them fully to decide how best to reconcile national and local policy priorities in their own local contexts. A specific local process, involving all Responsible Bodies, and hosted by the Local Authority, should then prioritise how this notional budget should be used.

R5 *The local prioritisation decisions should be captured in a short local investment plan. There should be light-touch central appraisal of all local plans before an allocated plan of work is developed so that themes can be identified on a national level and scale-benefits achieved. This must also allow for representations where parties believe the process has not assigned priorities fairly.*

R6 *Individual institutions should be allocated an amount of capital to support delivery of small capital works and ICT provision. Wherever possible, this should be aggregated up to Responsible Bodies according to the number of individual institutions they represent, for the Responsible Body then to use for appropriate maintenance across its estate, working in partnership with the institutions.*

In line with Mr James's recommendation, we agree that some funding should be retained centrally for demand-led programmes to ensure sufficient national flexibility to expand choice and encourage innovation.

In respect of Mr James's recommendations that the bulk of funding should be allocated on a local authority area basis, in a single pot for local prioritisation through a process overseen by the local authority, we agree that this could be a beneficial model for the longer term. However, we wish to avoid establishing any new local process until we are certain that all Responsible Bodies are content that their interests and needs are fairly considered.

We would like to consult on this model. Specifically, we want to understand how arrangements for prioritising any single pot would take account of all local Responsible Bodies views and interests in a robust and fair way, how the Local Authority could effectively lead this process, how to avoid the creation of unnecessary bureaucracy, how quickly it would be feasible to put such arrangements in place, and what a phased implementation could look like.

We would therefore also like to consult on whether some or all of the 2012-15 period could be a transitional period, with budgets being allocated largely on the same basis as 2011-12 (i.e. broken down by existing funding lines such as basic need, LA school maintenance, LCVAP, Academies maintenance, Sixth Form College maintenance, 16-19 demographic pressures). We would be interested to know if during such a period some of the ring-fenced programmes currently managed centrally, for example maintenance of Academies and Sixth Form Colleges might become ring-fenced programmes managed locally.

We also believe that there are additional options for allocating capital that warrant further consultation, for example allocating a fair proportion of maintenance capital to certain Responsible Bodies so that they can apply it strategically across their entire estates, which would span multiple local authority areas in many instances (for example a multi-Academy chain or Diocese).

We will be very interested to see how interested parties in local areas are already taking steps to work together on strategic capital investment decisions. Furthermore, whichever allocation model for coming years is decided upon following this consultation, we propose that that each local authority area should provide the Department with an initial investment plan in

spring 2012. This would draw as necessary from the respective plans that all Responsible Bodies may make for their own allocations. This would promote collaborative working and planning, and would enable the Department to identify common programmes of work across the country and give the opportunity for better procurement and more value for money.

Finally, we agree with Mr James that individual institutions should be allocated an amount of capital to support delivery of small capital works and ICT provision (as currently provided through Devolved Formula Capital). However, whilst we can see that upwards aggregation of this funding to Responsible Body level can deliver benefits that individual institutions might want to take advantage of, this should be a voluntary decision on their part.

Questions for consultation

Do you think that the Department should move to a system for capital investment that apportions the available capital as a single, flexible budget for each local area, and that investment should then be determined through a specific local process, involving all Responsible Bodies and ultimately hosted by the Local Authority?

What do you consider to be the benefits or risks in establishing a single capital funding model of this nature? How would you address the risks you have identified? Specifically, how could the local area decision-making arrangements be established to ensure that the process represents the range of Responsible Bodies, takes account of all needs, leads to fair prioritisation of investment within the available resource, and is not unduly bureaucratic?

Would you prefer to see the current funding model used for the 2011-12 allocations retained until at least 2015 or for the foreseeable future? What are the benefits and risks of this approach?

Should some of the ring-fenced programmes currently managed centrally, for example maintenance of Academies and Sixth Form Colleges, become ring-fenced programmes managed locally? What would be the risks and benefits?

Would you support a model that includes a fair proportion of maintenance capital being allocated directly to Responsible Bodies that have assets in several local authority areas, so that they can make their own decisions on how best to deploy that maintenance funding across their estate? What are the benefits and risks of this approach? How would such Responsible Bodies be identified?

Do you agree with the principle that there should be a Local Investment Plan to support local and national transparency and better procurement? If so, what should be included in a Local Investment Plan?

Do you agree that each local authority area should provide the department with an initial Local Investment Plan in spring 2012, drawing from the respective plans that all Responsible Bodies make for their own allocations?

Do you believe there are other models which incentivise the creative and efficient use of capital at school level?

National Contracting and Procurement

Recommendations

'Review of Education Capital: Sebastian James, April 2011'

R13 That the Central Body should put in place a small number of new national procurement contracts that will drive quality and value from the programme of building projects ahead.

R14 That the Department uses the coming spending review period to establish a central delivery body and procurement model, whereby the pipeline of major projects – to a scale determined by the Department – is procured and managed centrally with funding retained centrally for that purpose.

R15 That the Department quickly takes steps to maximise the value for money delivered through maintenance and small projects and puts in place a simple and clear national contract to make this happen.

The Review proposes that the central body establishes national procurement contracts and that the central body undertakes the project management of major projects.

Overall, we wish to move to the model Mr James proposes, but we are aware that there are currently local and regional procurement models in place which claim to be delivering on time and with value for money. Some of these may involve contractual arrangements which cannot immediately be changed.

On **national procurement**, the aim would be to establish a highly professional and increasingly experienced delivery body which is targeted to achieving continuous improvement. The main benefits of this national approach would be:

- scale, as a national development pipeline is exploited;
- speed, simplicity and cost saving without the need for a new procurement vehicle to be set up locally in every case;
- expertise established in design and building processes, constantly applying the learning from post occupancy evaluation;
- expert and consistent contract management, with the skills to deal with large companies;
- capture and sharing of cost and quality data, allowing a greater understanding of market prices, and ensuring value for money is achieved;
- one simplified set of documents, including a streamlined approach to the management of risk;
- a simpler pre-qualification process for all contractors – ideally a single process; and
- aggregation of supply which allows for fair payment throughout the supply chain, ensuring commitment and security for sub-contractors.

For instance, the current PfS-run Contractors Framework is widely used and offers a model that brings benefits in line with those sought by the Review, as has been seen through the Campsmount project in Doncaster. We have already announced that the work currently carried out by PfS will continue under the Department's new Education Funding Agency (EFA).

However, there are currently a range of local and regional procurement models, including Regional Improvement and Efficiency Partnerships, which are already driving improvements and which can also respond appropriately to the local context, for instance in supporting small and medium enterprises. They can have wider experience and benefits than for just educational buildings. Local circumstances will vary and at times be better served by different approaches. Decentralisation, putting decision-making and control over public assets and services closer to the front-line, has been clearly shown to provide a powerful driver for improvement but there are also important benefits to be gained by taking action on a larger scale with central leadership.

Our aim is to progress reforms which deliver better value for money. A key outcome in any future model must be the ability to accumulate expertise on design and construction through gathering as much learning as possible on every build process, so that this can then be applied to the next project taken forward.

We do not intend to over-ride existing local or regional arrangements where they are shown to be as efficient and effective at building or improving schools to a high standard. We would always want to enable local contractors to be able to compete for business, where they could deliver projects at better value.

There are different options for how we implement this new approach to procurement. For example, the use of national frameworks, standardised designs and contracts, and central management of the build process could be mandatory for all projects over a certain size or type, but with Responsible Bodies allowed to opt out of central frameworks and central project management where they could demonstrate local or regional arrangements are in place which would achieve the same benefits.

Alternatively, a small number of specialised regional arrangements that between them cover all local investment could deliver similar oversight and standardised processes, with the Department supporting them and holding the key data, designs and ensuring knowledge is shared around the system.

Questions for Consultation

Do you agree that there are benefits and efficiencies to be gained in building and capital maintenance from using national expertise, national procurement frameworks, a standard contract with suppliers and national project management? What do you consider to be the potential advantages and disadvantages?

Do you have evidence to show that local or regional procurement arrangements offer better value for money for certain types of projects or within certain values? If so, please describe.

Are there limits – contract value or type of project - where you think the case can best be made for local or regional contract procurement?

What criteria do you suggest for projects to be potentially exempt from project management by the central body?

Where local or regional procurement or project management is used, how can its benefits and learning be shared so as to achieve the same gains in all procurement?

Other recommendations not covered specifically by this consultation that are set out in the Review

Recommendations

'Review of Education Capital: Sebastian James, April 2011'

R7 The Department ensures there is access to clear guidance on legal responsibilities in relation to maintenance of buildings, and on how revenue funding can be used for facility maintenance.

R9 That the Department revises its school premises regulations and guidance to remove unnecessary burdens and ensure that a single, clear set of regulations apply to all schools. The Department should also seek to further reduce the bureaucracy and prescription surrounding BREEAM assessments

R10 There should be a clear, consistent Departmental position on what fit-for-purpose facilities entail. A suite of drawings and specifications should be developed that can easily be applied across a wide range of educational facilities. These should be co-ordinated centrally to deliver best value

R11 The standardised drawings and specifications must be continuously improved through learning from projects captured and co-ordinated centrally. Post occupancy evaluation will be a critical tool to capture this learning.

R12 As many projects as possible currently in the BSF and Academy pipeline should be able to benefit from the Review's findings to ensure more efficient procurement of high quality buildings. This should be an early priority to identify where this could be done.

R16 That the Department revisit its 2004 Cap Gemini report and implement proposals where they are appropriate.

As indicated previously, a further, separate consultation on the school premises regulations will follow. The remaining recommendations not covered specifically by this consultation we broadly accept, and will work with stakeholders over the coming months with a view to practical implementation. We will set out details of implementation in our response to this consultation later this year.

On **standardised designs and specifications**, we intend to move to procure these immediately. We very much agree that in the past, there has been too much reinvention of the wheel where school design has been concerned,

which has slowed procurement and increased costs. We are of course not aiming for a “one-size-fits-all” solution. We want to see really good fit for purpose designs that are sustainable, flexible and can appropriately reflect local conditions and needs. They will include extensions, partial rebuilding and individual blocks, as well as whole-school solutions. We will consult fully and further on these matters as the designs are developed, in a separate exercise.

General Question for consultation

Do you have any immediate further comments you wish us to consider on other parts of the Recommendations from the Review?

Next steps

This document is a key part in our consultation on implementing changes to the way the Department manages its capital investment, in the light of the independent “Review of Education Capital”. A further consultation on the school premises regulations and guidance will follow in September.

We would welcome comments on the questions asked in this document **by 11 October 2011**. We will also continue to discuss the options with partner organisations.

Our intention is to then assess consultation responses and publish our final response to the James Review in the autumn. We also intend to announce future capital allocations later in the year, as we understand the need that Responsible Bodies have for budget certainty.

Annex A - Summary of Sebastian James's Recommendations

	Recommendation	Comment
1	Capital investment and apportionment should be based on objective facts and use clear, consistently-applied criteria. Allocation should focus on the need for high-quality school places and the condition of facilities.	Accept.
2	Demand-led programmes, such as Free Schools, are most sensibly funded from the centre and a centrally retained budget should be set aside for them.	Accept. In addition, budgets for new University Technical Colleges, Studio Schools, initial funding for sponsor academies and for secure accommodation can also be held centrally.
3	The Department should avoid multiple funding streams for investment that can and should be planned locally, and instead apportion the available capital as a single, flexible budget for each local area, with a mandate to include ministerial priorities in determining allocations.	Would like to consult further, to ensure that the risks and benefits of other approaches can be discussed
4	Notional budgets should be apportioned to Local Authority areas, empowering them fully to decide how best to reconcile national and local policy priorities in their own local contexts. A specific local process, involving all Responsible Bodies, and hosted by the Local Authority, should then prioritise how this notional budget should be used.	Would like to consult further, to ensure that the risks and benefits of other approaches can be discussed.
5	The local prioritisation decisions should be captured in a short local investment plan. There should be light-touch central appraisal of all local plans before an allocated plan of work is developed so that themes can be identified on a national level and scale-benefits achieved. This must also allow for representations where parties believe the process has not assigned priorities fairly.	Accept, subject to consultation on how a light-touch plan can best capture the appropriate capital projects across all relevant responsible bodies. An initial plan will be sought in 2012.

6	Individual institutions should be allocated an amount of capital to support delivery of small capital works and ICT provision. Wherever possible, this should be aggregated up to Responsible Bodies according to the number of individual institutions they represent, for the Responsible Body then to use for appropriate maintenance across its estate, working in partnership with the institutions.	Accept , though upwards aggregation will be solely voluntary.
7	The Department ensures there is access to clear guidance on legal responsibilities in relation to maintenance of buildings, and on how revenue funding can be used for facility maintenance.	Accept.
8	<p>That the Department:</p> <ul style="list-style-type: none"> • gathers all local condition data that currently exists, and implements a central condition database to manage this information. • carries out independent building condition surveys on a rolling 20% sample of the estate each year to provide a credible picture of investment needs, repeating this to develop a full picture of the estate's condition in five years and thereafter. 	Accept. Consultation on how to do this most efficiently and quickly, with an emphasis on testing what needs to be collected and; how best this should be applied to allocations.
9	That the Department revises its school premises regulations and guidance to remove unnecessary burdens and ensure that a single, clear set of regulations apply to all schools. The Department should also seek to further reduce the bureaucracy and prescription surrounding BREEAM assessments	Accept , for separate consultation later in the year.
10	There should be a clear, consistent Departmental position on what fit-for-purpose facilities entail. A suite of drawings and specifications should be developed that can easily be applied across a wide range of educational facilities. These should be co-ordinated centrally to deliver best value.	Accept. The development of specification and drawings will include consultation.
11	The standardised drawings and specifications must be continuously improved through learning from projects captured and co-ordinated centrally. Post occupancy evaluation will be a critical tool to capture this learning.	Accept , but will consult further and fully, separately as part of implementation.

12	As many projects as possible currently in the BSF and Academy pipeline should be able to benefit from the Review's findings to ensure more efficient procurement of high quality buildings. This should be an early priority to identify where this could be done.	Accept.
13	That the Central Body should put in place a small number of new national procurement contracts that will drive quality and value from the programme of building projects ahead.	Accept in principle, subject to consultation on the type and scale of projects that are potentially best procured through national procurement routes, and the criteria under which alternative local or regional procurement routes can demonstrate they are capable of delivering similar or better results.

14	That the Department uses the coming spending review period to establish a central delivery body and procurement model, whereby the pipeline of major projects – to a scale determined by the Department – is procured and managed centrally with funding retained centrally for that purpose.	Accept in principle, subject to consultation on the type and scale of projects that are potentially best procured centrally, and the criteria under which alternative procurement arrangements – particularly regional partnerships - can demonstrate they are capable of delivering similar or better results. Also to explore how learning on the build process can be captured from across the system and accumulated in order to grow overall expertise and generate incremental savings.
15	The Department quickly takes steps to maximise the value for money delivered through maintenance and small projects and puts in place a simple and clear national contract to make this happen.	Accept, subject to consultation on where national contracts can offer better value than good existing local or regional arrangements.
16	That the Department revisit its 2004 Cap Gemini report and implement proposals where they are appropriate.	Accept.

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