



Department
for Education

Review of education capital: progress update

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Context and Scope

The Review of Education Capital was published in April 2011. The purpose of the Review was to consider the Department's existing capital expenditure approach (and in particular the Building Schools for the Future programme) and to make recommendations on future delivery models for capital investment, with a focus on achieving better value for money, higher quality and more rapid deployment.

The objectives of this independent progress report are to consider the themes from the Review, setting out where there has been progress against the original recommendations and identifying any benefits being realised as a result. We also consider recommendations which have either not, or have only partially been acted upon, and why.

The reason for doing this progress report is simple: the DfE, rightly, wants to ensure that the main themes raised two years ago are on track to improve, and that the principal areas of debate are aired again in order to stimulate further progress.

This is a light-touch review performed over a short period, concentrating on interviews with most of the key people within the Department and the Education Funding Agency. We have also undertaken limited interviews with other stakeholders, including schools, local authorities, contractors and sector bodies as well as collecting data from these organisations and, of course, from the Department itself. Our analysis and conclusions rely on the accuracy of figures provided to us; we have not audited this information but we have no reason to believe that it is anything other than accurate.

Executive Summary

Throughout this process we have been encouraged by the extent to which the core principles of the Review have permeated the Department, and it has been interesting to see the impact that it has had on both mind-set and outlook. Uniqueness is no longer an imperative, simplicity is viewed as a positive attribute, and consistent quality, value for money and time to deliver have become the priority.

We have also been impressed by the acceptance of the majority of recommendations from the Review. Where specific proposals have not been implemented there are, in many cases, sound reasons for this. It is clear that thinking has evolved; this is to be expected and is a wholly good thing. Of course, there is further to go in almost all areas, and continuous improvement must remain a top priority, but the tangible benefits being realised to date should be recognised and commended.

Taking first the theme of capital allocation, we are pleased to see that the general, and vital, principle of allocating capital to need was accepted. The Department has improved the way that funding for new school places is allocated and the Property Data Survey Programme was initiated to allow consistent data on the condition of the estate to be captured. Once finalised, this will allow more effective targeting of capital based on condition through relative ranking or banding of need. Since the lack of data was a real failing, in our view, of the previous system, it is really heartening to see so much progress here – though there is still much to be done.

Whilst the data survey is continuing, there has been a move to allocate capital based on need through centrally run programmes. Within these programmes, capital is allocated using bidding processes which, although imperfect mechanisms for assessing need, are useful interim tools in directing capital to schools in the worst condition.

The concept of a single, flexible funding pot, with strategic planning of spend managed at a local level by local authorities, was not accepted. Many people felt that the suggested local authority role in this process would be too difficult to manage given their perceived vested interests in their own estates. This is understandable, particularly in the context of a growing academy landscape, although we note that there are alternative ways of achieving strategic planning to explore, including through longer settlement periods or aggregation of capital to a different level (for example to Responsible Body level).

We are also encouraged to find that Baseline Designs have now been produced as a direct response to the Review, with the aim of streamlining the approach to design and procurement. They have generally been well-received and have contributed to significant time savings in the feasibility stage, now estimated at 6 months, down from 18+ months under BSF. This time saving is extremely important as it reduces cost but above all risk in the construction process – quite apart from being able to get children into better schools faster.

Finally, the EFA now provides a central procurement body which serves as an 'intelligent client' to deliver schools under the Priority School Building Programme, and free schools programme. Impressive cost savings of c. 35% are being realised (representing a forecast saving of £1.15bn even after taking industry deflation into account) compared to schools built under BSF, as well as an estimated time saving of over 18 months to get to site, both of which demonstrate a significant achievement and validate the concept of driving efficiency through a central delivery model. It is important to remember, however, that process improvement is vital to ensure quality improvement is achieved as well as cost reduction.

1. Allocation

- 1.1. Looking back to the time of the original Review, there was no consistent, centrally-held data on the condition of the estate and allocations were based on pupil numbers or other criteria (some of which were susceptible to political or other influence) which did not address the condition of the estate. Assessment of need for places was based on population forecasts at a low level of granularity and ignored existing and planned capacity.
- 1.2. Having made these observations, the Review proposed that condition data should be collected on the estate and that allocations should be made based on this data. The Review also recommended improvements should be made to the schools capacity survey (SCAP survey) to better understand capacity need.
- 1.3. We are delighted to find that significant progress has been made against these proposals, namely the introduction of the Property Data Survey Programme (PDSP) and improvements to the SCAP survey.

Improvement of data – Property Data Survey Programme

- 1.4. The PDSP was initiated as a direct response to the Review, and c.11,000 schools have been surveyed centrally to date. Local authority data has been collated for the remaining schools, but inconsistencies in the data mean these schools will now also be surveyed centrally. A full dataset for all in-scope schools¹ will be complete by mid-2014. The original Review recommended that this be done over five years but the Department took the view that it was better to bite the bullet and get this data as quickly as possible. This exceeded our expectations and is, clearly, good to see.
- 1.5. The surveys performed are visual and non-intrusive. This results in a reasonably high level survey limiting the ability to use the data to target capital directly for specific projects; however, the surveys do allow assessment of relative need. We see this as a fundamental strength of the PDSP, along with a consistent and centrally defined methodology for categorising need. The general view is that, even at this level, the data represents a vast improvement in providing a rational and objective backdrop to allocations.

¹ Schools defined as out-of-scope included those managed under PFI contracts, new builds recently completed under BSF, and schools classed as modernised.

“The PDSP surveys provide a level of detail similar to that which we would use to direct capital across our store estate at Tesco, and is supplemented on an as-needed basis once we have decided to go ahead with a project. My view is that it would be sufficient to support the allocation process.”

Kevin Grace, Group Commercial and Supply Chain Director, Tesco

Use of the PDSP in allocations

- 1.6. Once complete, the results of the PDSP should be used as a means of identifying the schools which are most in need, as envisaged by the original Review. Allocations can then be made in a more informed and objective way, either by using the surveys to validate and triangulate bid information (for those capital programmes which require applications), or through a mechanism of banding or aggregating institutions according to need and allocating funding on that basis.
- 1.7. It is also important to address non-urgent need, to ensure that small problems are dealt with early and do not lead to a further backlog of major issues in the future. We recommend that a proportion of capital should be allocated for continuing maintenance, with consideration given to the appropriate split of capital between urgent and non-urgent. This is recognised by the Department.
- 1.8. The Department should also guard against perverse incentives arising, where capital is only awarded to schools which have not invested carefully in continuing maintenance. We raised this issue of potential moral hazard in our initial Review but we felt then that – for the most part – there were enough incentives not to let a school go to rack and ruin to make this an unlikely outcome. Nevertheless, we did hear some concerns, mostly from well-maintained schools, that they might be penalised for good management.

“It is important that schools which made sensible decisions about maintenance of their estate in past years are not unfairly penalised when it comes to deciding how capital funding is allocated in the future...”

Richard Power, Diocese of Exeter

Future of the PDSP

- 1.9. We strongly believe that, having made excellent progress in this area, the Department should continue to keep the PDSP refreshed, as there is significant value in having a time-series data set which will allow tracking of improvements made and analysis of trends. The simplest and most efficient way of achieving

this would be to complete 20% of surveys every year, on a rolling 5 year basis. This would ensure that at any one time enough of the surveys are up-to-date to extrapolate a view of the overall condition of the estate and would allow the cost of the programme to be more easily absorbed. The reality is that the chance of this very important information being collected and used for the indefinite future is much higher if there is not a single large project every five years.

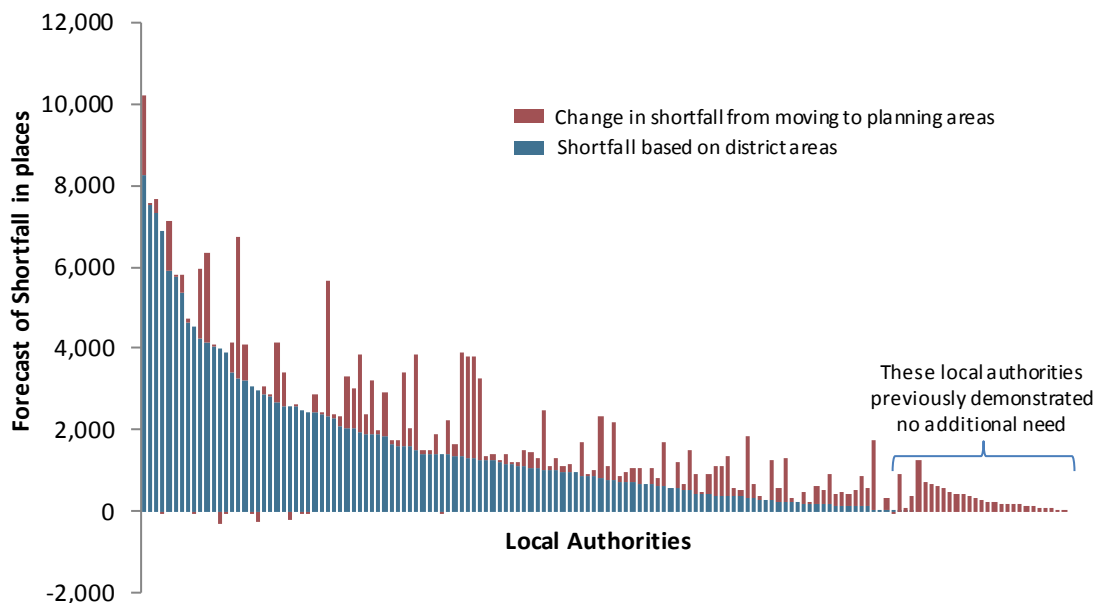
- 1.10. There is scope for debate on whether the surveys should be maintained as a centrally run programme, or whether some level of local intervention would be appropriate. On balance, our preference is for a central model which has the advantage of consistency of data and approach. We appreciate, however, that local involvement in the surveys would ensure the results are agreed by schools and local bodies, and would potentially reduce the need for additional, local authority-led surveys to be commissioned. As always, where a centrally-collected data source determines allocation of funds, there is the possibility of challenge.
- 1.11. We are sympathetic to the concept of a hybrid model, where central consistency and quality is guaranteed through use of a panel of surveyors but where local authorities select and carry out the surveys. In this situation, accountability is key to ensure the local authorities complete the surveys, with the potential for claw back to central management in cases of non-adherence. In short, as long as the fundamental principles are adhered to: accurate, consistent and timely provision of data – and without fail – then we would support any of the proposed solutions.
- 1.12. We also suggest that the PDSP could be used as a means to gather data on the cost to run the buildings. This would then allow a full picture of the estate to be developed, and would capture the quality benefits of any remedial works completed. In this way it would also be possible to identify high cost to run schools that might generate a fast payback on potential investment and add a further level of accuracy to the allocation process.

Improvement of data – Schools Capacity Survey

- 1.13. The concept of allocating to 'need' incorporates both the need for places (defined as Basic Need), as well as the condition of the estate. The allocation of capital for school places is formula driven, based on the annual SCAP survey, which collects data from local authorities. On the whole, local authorities are good at forecasting their pupil growth – over 90% of local authority forecasts made in 2010 had an error rate of less than 5% when compared to actual primary school pupil numbers in 2012-13.
- 1.14. Since the original Review, there have been improvements to the SCAP survey to understand the need at a more granular level and to ensure allocations are targeted correctly.

- 1.15. Existing capacity is now taken into account in the calculation, a missing element that we considered odd when we reviewed this last time, and capacity is assessed on c.2,400 smaller 'planning areas' rather than across c.330 districts. Data based on planning areas can take account of more reasonable distances for pupils to travel and allows for better targeting of funding, as 'hotspots' of need are more visible. This methodology has increased the reported number of places required (c.40% more than using the previous methodology), as deficits in one area, which used to be cancelled out by surpluses in another, are now considered in isolation. This is an inevitable and mathematical result of the change to more accurate geographical analysis and, of course, does not mean that there has been a dramatic worsening of the places required over that time.

Figure 1: Forecast shortfalls of places based on district areas and planning areas



- 1.16. Furthermore, in 2013 for the first time local authorities have been asked for details on where funds are spent, and the costs of providing new places. We believe the publication of this benchmarking data would continue to strengthen local accountability in this area and we wholeheartedly support more transparency in how money is spent and the effectiveness of this.

Schools Capacity Survey – Future considerations

- 1.17. Planning areas can clearly help to provide a more granular picture of need although it is important that planning areas appropriately reflect each local authority's geographic and demographic conditions. Theoretically, if the size of the planning area becomes too small, identified need could become overstated - demand will shift as people move between areas. Local authorities are able to determine their own planning areas to reflect how they plan places on the ground

and there is variation in how local authorities do this: some planning areas can be small, with fewer than three schools per primary planning area and others can have more than 40. In addition, school places are not entirely fungible - good school places are seen by parents as more attractive, and more valuable than places in schools which perform less well or have a less strong reputation. This methodology does not, of course, take this into account.

- 1.18. Although it is important that local authorities plan in a way which reflects the local area and local school organisation, the Department should be confident that the data collected does not lead to inconsistencies in allocations. It will be important to analyse the planning area data further to identify any issues. The Department should continue to work with local authorities to ensure that their planning and data accurately reflects need and ultimately provides a valuable time-series data set.

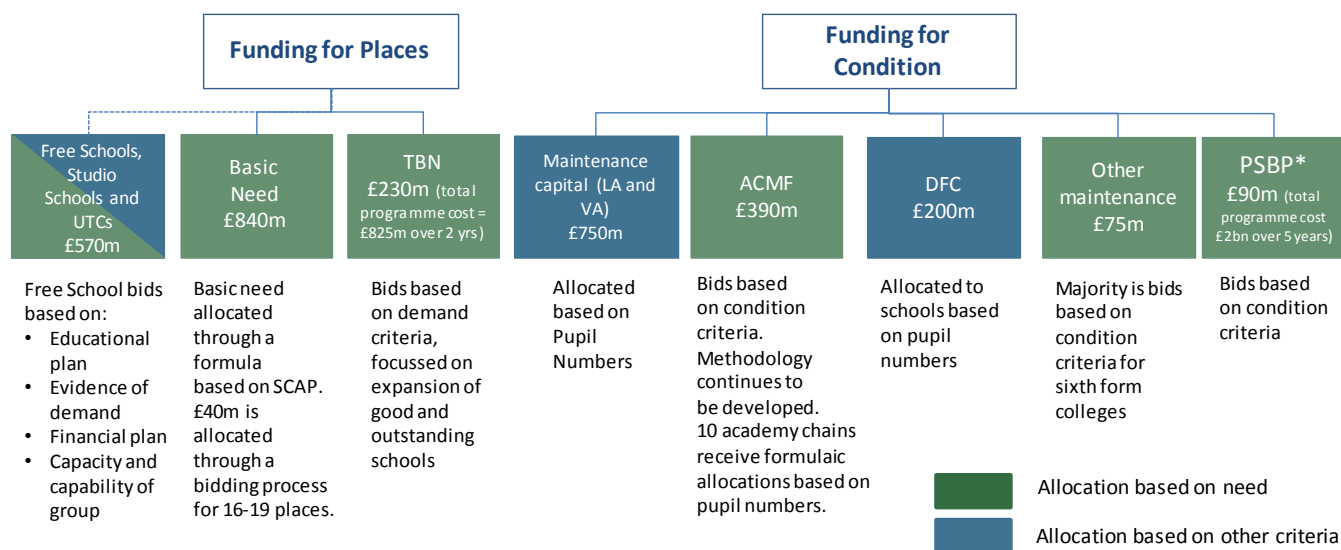
Allocation to need – what has happened already?

- 1.19. While this improvement in data and methodology has been happening we are very pleased to see that real progress has already been made on allocating capital against condition need through specific programmes, including the Priority School Building Programme (PSBP) and the Academies Capital Maintenance Fund (ACMF) – see Figure 2 and Appendix A for details. These programmes have improved the way in which some capital is allocated, although general maintenance capital continues to be allocated on a pupil numbers basis.
- 1.20. The PSBP in particular has been successful in better targeting to need. 261 schools in the worst condition are due to be rebuilt under the programme, of which 74% were not due to receive any funding under BSF. This allocation process really does represent a significantly better use of the marginal funds available than the previous methodology.
- 1.21. The Targeted Basic Need programme (TBN) has allowed Basic Need capital to be directly targeted by the Department to hotspots of demand for places, focussed on expansion at good or outstanding schools. Again, this seems to have been successful in creating more good places where they are most needed, albeit on an ad-hoc basis. With improved SCAP data and stronger accountability, the outcomes of the TBN programme could in future be delivered through the formulaic basic need allocations and therefore we question whether a further round of this standalone programme would be necessary.
- 1.22. Bid-based programmes are imperfect as mechanisms for delivering capital to areas of greatest need, principally because participants are required to apply for funds, with applications being assessed centrally. This can create issues given the potential for inconsistent representation of data, some schools or local authorities may be better at bidding than others, and schools cannot be forced to

apply. In addition, the process of assessing bids is resource intensive for the centre and does not necessarily make the best use of local knowledge or the advantages of local strategic planning.

- 1.23. Despite the imperfect bidding process, there is no doubt that these programmes have been useful tools in directing capital to schools in the worst condition and areas with the highest demand for places, and whilst a full and consistent dataset is being collected, we agree that self-assessment is the next best option.

Figure 2: Current basis for allocation of schools capital



Numbers are 2013-14 budget, excluding legacy projects (£710m in 2013-14), and other funding lines (£20m in 2013-14)
 *Excludes PFI

Summary

- The PDSP has been initiated to collect condition data on the schools estate and a full dataset should be available by mid-2014, ahead of the Review's expectations.
- The SCAP survey has been improved which allows a more granular assessment of the requirement for places.
- The concept of allocating capital to need has been embraced by the Department, and programmes such as the PSBP have helped to address the most significant areas of need.
- Going forwards, we recommend that information from the PDSP is used to make allocations from 2015-16, with some funding continuing to be allocated for continuing maintenance.
- We also firmly believe the PDSP should be maintained and updated on a 5 year rolling basis and accountability and feedback mechanisms should be put in place to ensure those who make sensible capital investments are not penalised.
- Finally, we recommend the Department continues to work with local authorities to ensure SCAP data is collected in a way which best represents need and local circumstance and to move to a holistic (rather than bid-based) allocation system.

2. Strategic Planning

- 2.1. The Review identified the importance of strategic planning at a local level, to maximise the ability of local bodies to prioritise investment across their individual estates. We continue to believe this concept of strategic planning is desirable given 1) capital projects are often lengthy, costly and difficult to forecast across a single facility; and 2) at an appropriate, local level, strategic planning can incorporate relevant knowledge and expertise.
- 2.2. At the time of the Review, funding was allocated through numerous targeted streams (often reflecting ministerial priorities), allocations were made for single years only and decisions on spend were made independently and with varying levels of devolution.
- 2.3. The Review recommended a number of changes to the ways in which this was done:
 - rationalisation of funding streams;
 - providing allocations over a number of years; and
 - aggregating funds over a number of schools.
- 2.4. The Review also recommended that funds should be allocated through a single, flexible pot and that the local authority should manage a prioritisation process together with the Responsible Bodies. This would result in local investment plans, centrally appraised to allow themes to be identified.
- 2.5. Ultimately, the concept of a single pot and local panel to oversee allocations has not been pursued. Thinking has evolved since the Review and, after a period of consultation, it was concluded that the local authority role in this process did not marry with wider government policy objectives, or the growing academy landscape. In short, the Department concluded, we believe with a little reluctance, that the proposal for a joint local plan, while attractive in principle, was probably a quixotic one and not likely to be achievable in more than a few, enlightened areas.
- 2.6. We have sympathy with this rationale and understand the difficulty in orchestrating a local process given the potential for diverging interests of parties. Strategic planning is, however, still desirable and the Department recognises this. It may be that, as the balance between LA schools, academies and free schools changes, it will be possible to plan dispassionately across different school types in the future and the Department should continue to look at this option from time to time.

Rationalisation of funding streams

- 2.7. At the time of the original Review, there were multiple funding streams (over £1bn funded through targeted streams designed to reflect specific ministerial priorities, for example Sustainable Transport). Now, we are encouraged to find that in 2013-14 less than £30m is funded through this type of targeted stream. While this may appear to be a technical point, we believe that this is a major step forward in driving allocation based on objective criteria rather than political priorities. To achieve this has required a very disciplined and systematic focus by the Department and is very encouraging to see.
- 2.8. There are, however, still a number of funding streams rather than one flexible pot, including central programmes such as PSBP, TBN and ACMF, as well as Basic Need and general maintenance funding. This causes potential issues if management of the funding streams is not joined up at every level.
- 2.9. To demonstrate this point, the last allocation of Basic Need funding did not take into account new free schools, creating many instances of double funding. These are to be corrected by adjusting future allocations, but a more joined-up approach to funding streams would help avoid this issue entirely.

Increasing allocation periods

- 2.10. Previously, capital settlement periods were for one year only. We are therefore pleased to see that allocation periods for Basic Need initially increased from one to two years and are now increasing to three years, which allows greater flexibility and promotes strategic planning. Three year allocation periods seem to strike the right balance between maximising the number of years to plan across while allocating funds on reliable forecasts.
- 2.11. Initial findings from the PDSP were used to support the Department's bid to Treasury for capital funding at the Spending Round which led to a successful six year settlement. On the basis of this long-term settlement, we would recommend the Department increases allocation periods for maintenance spend to be in line with Basic Need allocations so that local authorities can plan across both streams of funding.

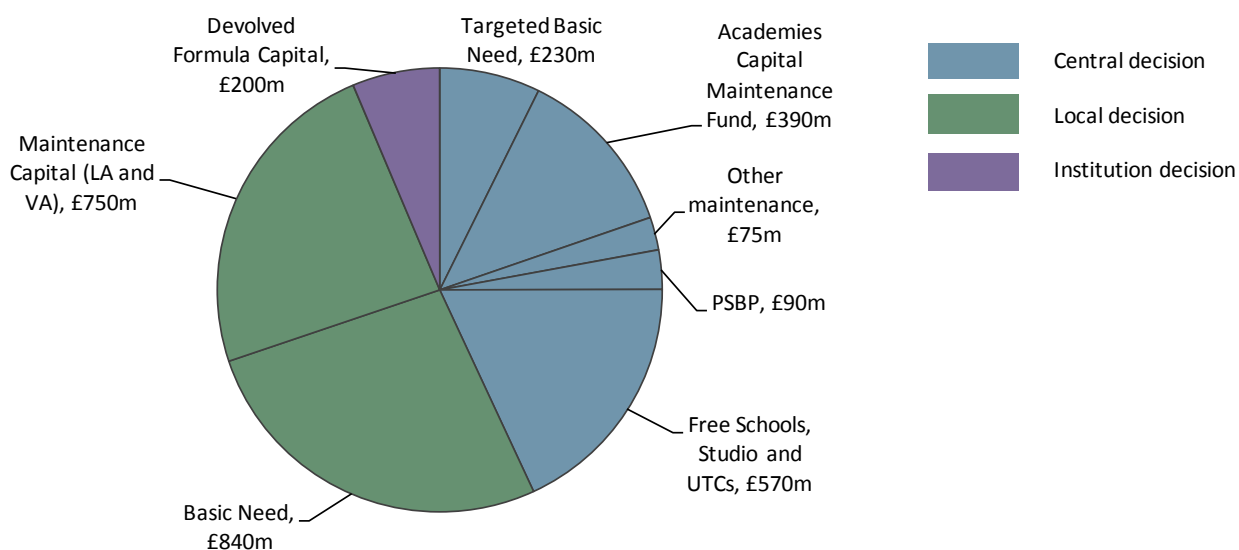
“The change to a two year allocation of Basic Need funding is welcomed and supports the process of strategic planning and delivery of new school places. Allocating Capital Maintenance in a similar way, or preferably through three year allocations alongside Basic Need, would further assist the strategic planning process, allowing an alignment of resources. This will also enable for an aggregation of efficiencies in purchasing, and give the construction industry confidence of continuing work.”

Peter Colenutt, EBD OG National Chairman

Aggregation of funds across schools

- 2.12. At the time of the original Review, funding was allocated through a series of independent, individual processes, with varying levels of decision devolution which did not encourage funding to be planned in an intelligent or thoughtful manner.
- 2.13. The somewhat idealistic vision put forward by the Review of a local authority-led prioritisation process across all schools and Responsible Bodies² within that area has not been implemented as it is probably impractical.
- 2.14. Within the current allocation system, a significant proportion (c.43%³) of capital continues to be allocated for specific projects through centrally run programmes. As observed in the original Review, centralised decision-making is appropriate in some cases (eg PSBP and free schools). However, central assessment of local need is time consuming, potentially inaccurate, and often fails to consider the wider funding context when allocating capital.

Figure 3: Split of funding streams by decision level



- 2.15. Local decision-making occurs for Basic Need and general maintenance capital. For Basic Need, this should in theory promote strategic planning across all schools at a local level. This could be confused, however, by the growing academies and free schools landscape which lies outside local authority jurisdiction. Local authorities have a statutory responsibility to provide pupil

² Responsible Bodies are defined as bodies that make strategic investment decisions; usually this will be the LA, the diocese, the Academy Trust or the charitable foundation – as per the original Review.

³ Excludes legacy projects (£710m in 2013-14)

places, but they cannot force academies or free schools to expand in order to fulfil this requirement.

- To date, we are not aware of any issues arising from this, and local authorities have been able to work with academies in providing pupil places. In fact, around a quarter of Targeted Basic Need projects are at academies.
- At the extreme, if a particular local authority finds that all schools have become academies, their perceived vested interests would be removed and the concept of a local prioritisation process, managed by the local authority, could potentially be reignited.

- 2.16. Maintenance funding is more complex. Funds for maintained schools are devolved to the local authority to prioritise (although within this, dioceses often run their own decision process for the pot allocated to VA schools). Academies and 6th form colleges bid for maintenance from central funds (eg ACMF), which, as noted before, is not a resource efficient way of planning capital spend.
- 2.17. We believe that there are alternative ways to achieve the desired benefits of aggregation of funds across schools.
- 2.18. Devolving all maintenance funding to a Responsible Body level, for example, would remove any perceived issues with a local authority managed process, whilst still reaping the benefits of aggregation, albeit at a lower level. We believe this approach merits further consideration by the Department.
- 2.19. Interestingly, this approach is effectively being piloted within the ACMF, where maintenance capital is allocated to a multi-academy trust (MAT) of 10 or more academies based on a pupil-number based formula. MATs are then able to plan strategically across their own estate. More evidence is needed on the benefits and limitations of this approach – particularly regarding the approach to single-trust academies, but this appears to be a sensible way of achieving strategic planning at a local level through aggregation of institutions. It will also be important to have transparency of the effectiveness of this maintenance – probably through longitudinal mining of successive PDSP data to check that schools that should be remaining in good condition are actually doing so.
- 2.20. Devolved Formula Capital (DFC) is still allocated directly to schools. In our view, ideally this would also be aggregated to Responsible Body level to facilitate strategic planning. We have some sympathy, however, with the argument that giving schools some funding directly helps create a greater sense of ownership and responsibility towards their buildings and that this has a wider positive effect overall. In addition, the amount of DFC is much smaller than at the time of the original Review (c.£200m now compared to £959m at the time of the Review) meaning this is now a less significant issue.

Summary

- Ultimately, the concept of a single pot and 'local panel' to oversee allocations has not been pursued, although this is understandable in the context of the changing school landscape and the practical difficulties of doing this.
- It has been accepted, however, that the concept of strategic planning is desirable, and we note that there are alternative ways of achieving this.
- Progress has been made facilitating improved strategic planning through a reduction in the number of funding streams, the introduction of three year Basic Need allocations, and aggregation of academy maintenance funding via the pilot of maintenance allocations for multi-academy trusts.
- We recommend that the Department:
 - makes multi-year funding allocations for maintenance; and
 - explores options for aggregating funding to Responsible Body level.

3. Design

Baseline Designs

- 3.1. At the time of the Review, the design solution for each new project was unique, and there was little standardisation of approach, or learning from experience. The Review therefore recommended that the design and procurement process should be streamlined, by producing standardised drawings to provide a clear position on fit-for-purpose facilities and revising School Premises Regulations to remove unnecessary burdens. The difficulty with this proposal was always that there are, of course, differing requirements by site and some reluctance to impose a very homogeneous look and feel across the estate. In the end, the Review agreed that the right approach would be to develop baseline standards covering all core elements of a school and allowing for standard class sizes, science block layouts and so on.
- 3.2. We are pleased to see that there has been significant progress made in this area. A set of 13 Baseline Designs covering a range of primary and secondary schools have now been published (see Appendix B for examples). Simplified regulations were put in place in October 2012 and regulations for independent schools were updated and aligned with these in January 2013. It always seemed curious to us that the regulations should differ depending on the type of school and it is good to see this anomaly eradicated.
- 3.3. The designs are available for use by any local body, and are being used currently for the PSBP schools. The designs were developed by examining over 200 schools and post-occupancy analysis of recently built schools to identify successful features, with further input sought from contractors and other stakeholders. They are based on a set of underlying parameters such as area schedules and environmental standards.
- 3.4. The Baseline Designs do not go as far as the original Review perhaps envisaged. At present, the designs form a starting point for discussion rather than the intended off-the-shelf design which contractors simply build from. Contractors are not forced to use the designs but are encouraged to improve on them.
- 3.5. We believe this evolution is sensible as it ensures contractors remain on risk for the design element of the build. It also moves away from the idea that the Department might impose a solution, or suppress innovation. The majority of benefit from adopting standardised designs is being realised, and the risks of further standardisation might outweigh any further benefit. In some ways, the solution that the Department has adopted is better than that which we originally proposed as it allows for significant evolution of the baselines, while using them to

drive down a core cost and avoid many of the pitfalls of approvals that might otherwise be a burden.

Benefits of Baseline Designs

“Baseline Designs have only been a good thing... I am amazed the principle of standardisation was not implemented before”

Keith Rayner, Framework Director, BAM Construct UK Ltd

- 3.6. We are impressed with the significant benefits arising from using the Baseline Designs. They have contributed to the reduction of time taken for the feasibility stage of the PSBP process – now estimated at 6 months compared to more than 18 months for BSF schools. This has been achieved by providing a clear starting point for discussions with contractors, promoting a consistent message to all stakeholders, and simplifying the briefing process with schools. This reduction is a terrific step forward and reduces not only time but risk very dramatically.
- 3.7. In addition, the designs can be used as a reference scheme for both contractors and local bodies, to demonstrate how cost and area parameters can be achieved and to ensure that, where they are not adopted, the cost implications are at least transparent.

“We are satisfied that the designs offer a clear and uncomplicated approach to providing effective teaching and learning environments. The designs offer many aspects of best practice and we particularly welcome the quality of the ventilation, acoustics and lighting in all of the teaching spaces.”

Harry Darby, Capital Projects Director at E-ACT

Continuous improvement

- 3.8. There have been some criticisms directed at the designs, for example it is felt that they are not as effective for London schools, due to often tight and difficult sites, and insufficient London cost weighting. They do not include the outside areas, despite this being a key area for consideration. Concerns also lie around the level of embedded flexibility, and the longevity of designs.

“The designs don’t consider the importance of incorporating the outside area, which is a key part of the Early Years curriculum.”

Richard Power, Diocese of Exeter

- 3.9. In order to defend against some of these criticisms, we believe that continuous design improvement is vital, and are pleased to see that this is recognised by the Department:
- there are plans to showcase the best final designs from finished schools;
 - contractors are being asked to perform a building performance review after 6-9 months of occupancy, the findings from which will also be incorporated into further design iterations; and
 - building Information Management (BIM) might also offer benefits in the future by analysing how a building will operate and how much it will cost to run before building work starts.
- 3.10. We are pleased to see that the Department will be analysing post-occupancy evaluation information from other (non-Baseline Design) schools and using them as a benchmark for future builds. We recommend that this should cover as wide a group of schools as possible and that it should include analysis of the quality of the buildings, including cost to run and maintain. This would also help in the process of winning hearts and minds over the use of Baseline Designs as well as ensuring that they are, in fact, the best option. In addition, we recommend that the designs should be extended to cover external areas of a school so as to bring these benefits to the sports and landscaping elements as well.

Summary

- Baseline Designs were produced as a direct response to the original Review, with the aim of streamlining the approach to design and procurement.
- The designs do not go quite as far as the original Review envisaged, as they have been created as a starting point for discussion, rather than an off-the-shelf design which contractors simply build from.
- On reflection, this seems sensible as contractors remain on-risk, whilst still ensuring a set of base standards and parameters are used.
- Standardisation of design has generally been well-received, and has resulted in significant time saving in the feasibility stage.
- We recommend a focus on continuous improvement of the designs going forwards, through post-occupancy evaluation and sharing of design outcomes.
- We recommend extending the Baseline Designs to cover external facilities.

4. Procurement and Delivery

- 4.1. At the time of the Review, no single intelligent client was managing and procuring large projects and therefore limited benefits of scale or experience were being extracted. In addition, a lack of experience in school building was creating significant delay and cost overruns which impacted on both the cost to the Government and to the contractor.
- 4.2. The Review recommended that a central body should be established to procure and manage delivery of large projects so as to leverage negotiating power; ensure economies of scale are realised; and, most importantly, to ensure that highly experienced resources are deployed in the procurement, design and delivery phases.
- 4.3. We are encouraged that the EFA provides a central procurement body and acts as the 'intelligent client' for the PSBP and free schools programmes, delivering schools (rather than funding) for successful bidders. This is a significant shift from the procurement support and oversight model provided by the BSF programme, and, in our view, this hands-on team has been empowered to make some dramatic changes and improvements in delivery for those schools that it is building.

Benefits of central procurement and delivery

- 4.4. We are delighted to see that the efficiencies being realised through the central procurement and delivery model are currently resulting in a c.35% reduction⁴ in cost per sqm, after taking into account deflation in construction prices, and excluding area efficiencies made (see Figure 4). In addition, ICT costs in capital programmes which include the provision of infrastructure and all ICT provision for teaching and learning are 50% less than BSF costs. These savings are a significant achievement. In total, forecast savings to date amount to £1.15bn relative to their equivalents under the BSF programme.
- 4.5. Estimated time to site for the first 17 PSBP schools has more than halved, with a reduction of over 18 months compared to BSF schools⁵ (see Figure 4), although the average is expected to increase slightly as the first schools to site are

⁴ Savings of 40% have been realised vs BSF construction rates at the low point of the construction market and even now that construction activity has picked up, savings of 35% are still being projected. Although these figures are already adjusted for construction inflation, the index used does not perfectly reflect current levels of supply and demand within the construction market, therefore this figure has changed over time.

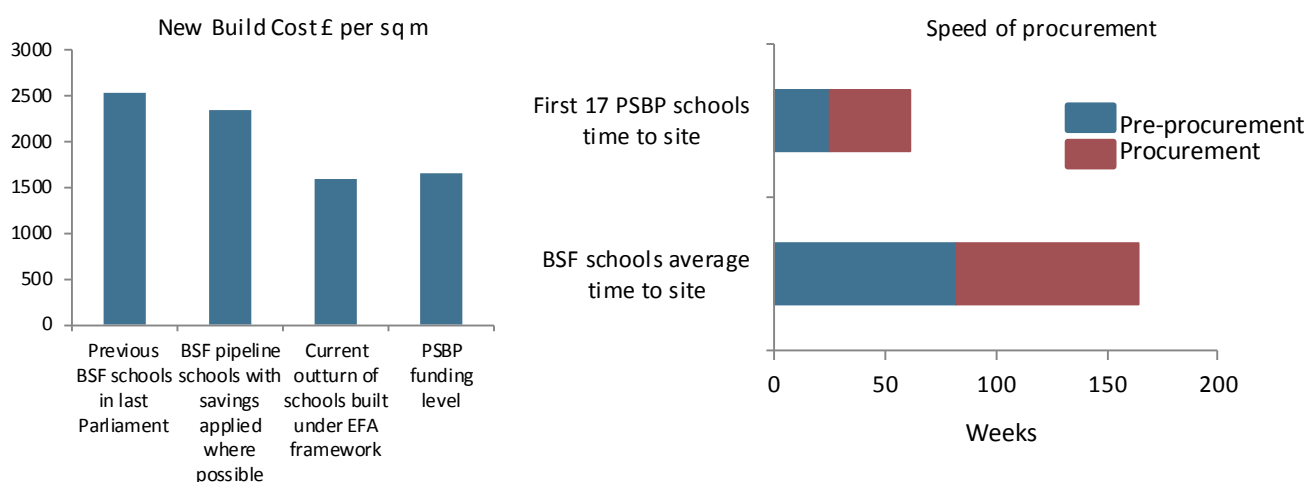
⁵ BSF schools average time to site includes both procurement of Design and Build contracts (D&B) and PFI contracts. The first 17 PSBP schools are all D&B which are quicker to procure by nature.

normally sample sites within each batch⁶, or the least complex projects. Nevertheless, we are satisfied that the time saving is structural and process-related and that very dramatic time reductions will carry on throughout the life of the programme.

4.6. The delivery of the schools is also more efficiently managed, as the EFA acts as an intelligent client, building up knowledge and experience through delivery of a multitude of similar projects – although more could be done at the Department to share knowledge and ensure best practice is applied across all programmes run through the EFA.

4.7. As only a small number of schools have been built, we have analysed those schools which have been completed. We have also considered the agreed funding levels negotiated with contractors for schools in the PSBP – with the caveat that these schools have not yet been delivered to this level of funding⁷.

Figure 4: Comparison of cost to build and speed of procurement



4.8. Below, we demonstrate the savings made in building an average-sized secondary school under PSBP, including both area and cost efficiencies. An average-sized secondary school can now be built for c.£11m vs c.£20m under BSF⁸. The £2.4bn PSBP should therefore be able to address condition need at c.90 more secondary schools⁹ than would have been possible assuming BSF funding levels.

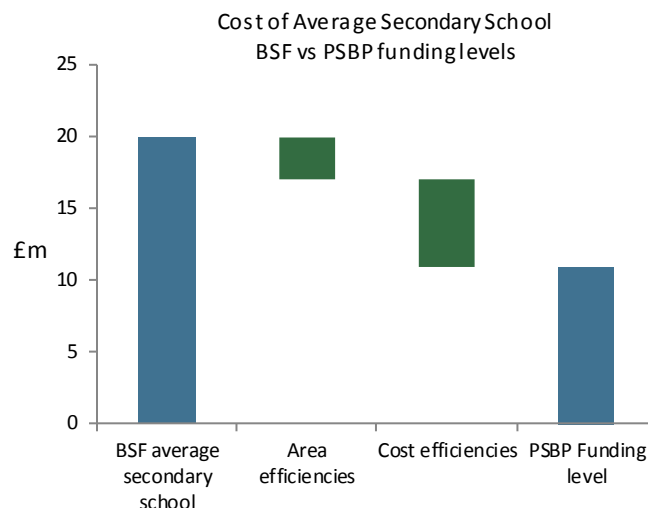
⁶ Schools being rebuilt under PSBP have been batched into groups, to promote more efficient procurement and delivery.

⁷ The figures are adjusted for inflation, and all figures excludes spend on ICT and FF&E.

⁸ Calculated on assumption of a 900 place secondary school with area savings of 15% and reductions in cost per sqm of 35% being realised.

⁹ Assumed average secondary school of 900 places, at £20m cost under BSF and £11m cost under PSBP

Figure 5: Anticipated savings for an average-sized secondary school



Cost and time efficiencies

4.9. The cost and time efficiencies have been achieved in a number of ways, all of which demonstrate excellent progress against the Review recommendations:

- ‘batching’ of schools for the tender process. This generates economies of scale, makes the projects more attractive to contractors, and allows contractors to build expertise and knowledge;
- a reduction in overall area, through more efficient design of ancillary areas (in particular circulation areas) whilst safeguarding teaching space. An average 15% reduction in space for a secondary school and 5% for a primary school has been achieved without reduction in core space;
- reducing unnecessary finishes and add-ons which deliver no additional value, for example curved walls;
- streamlined bidding and pre-procurement process. Projects are procured through the EFA’s contractors framework which has already been through an OJEU compliant process. Contractors’ bidding costs are also significantly reduced (we understand that previously these could, on occasion, amount to more than the build cost of the school itself) which, although not paid for by the Department, would ultimately flow through to higher prices; and
- procuring PFI and capital funded schools separately so that the PFI schools (which take longer to procure) do not slow down the procurement of the capital funded schools.

4.10. Continuous improvement will be key to ensure efficiencies continue to be drawn out of the system, whilst maintaining quality. It should be possible to target a level of savings every year on the basis that efficiencies will continue to be made in the design and build processes.

“It is vital to consider process improvement which delivers quality improvement as well as cost efficiencies. In my experience, I have made more progress in cost reduction by never mentioning it, merely by improving the process to get better quality you also achieve cost reduction.”

Sir John Egan, Chancellor, Coventry University

Quality of build

- 4.11. It is vital to ensure that quality is not jeopardised in the quest for better value and quicker results, and that the lifetime value and cost to maintain the buildings is considered.
- 4.12. It is therefore important to define the concept of quality. The original Review focussed on buildings being ‘fit-for-purpose’ as the principal measure, rather than aesthetics or the level of specification, and we believe this theme is now embedded in the culture of the Department. This is not to say that buildings need to be either ugly or bad to work in - quite the reverse - only that unnecessary embellishment should not form part of the assessment of quality but, for example, running costs should.
- 4.13. Although hard to measure at this stage, because none of the PSBP schools are yet completed, we believe that the quality of buildings is being maintained:
- the output specification has been updated with some improvements - the requirements for thermal comfort and day lighting have been changed so that it is easier for users to control the environment and measure how the building is performing;
 - the cost to run is evaluated through the bid process and contractors must fit within certain parameters in order to meet the framework criteria. These parameters are similar for capital funded and PFI projects, although for capital funded projects the contractors are not held accountable for delivering these rates;
 - teaching areas have been maintained, and schools will be bigger than secondary schools built in 2004 and primary schools built in 2006;
 - better building management systems have been designed which should allow similar outcomes for better pricing; and
 - current designs and specifications are attractive and well-liked by the staff, parents and children that will benefit from them.
- 4.14. Assessment of the quality of the build will be key once the schools are completed, and should form part of the post-occupancy evaluation process. As noted previously, contractors will perform a building performance review after 6-9

months. Importantly, this will include satisfaction surveys with teachers and technical users such as premises and business managers.

- 4.15. This post occupancy evaluation will allow for continuous improvement of the whole procurement and delivery process, as well as continuing to ensure that the benefits seen in cost, time and quality are maintained.

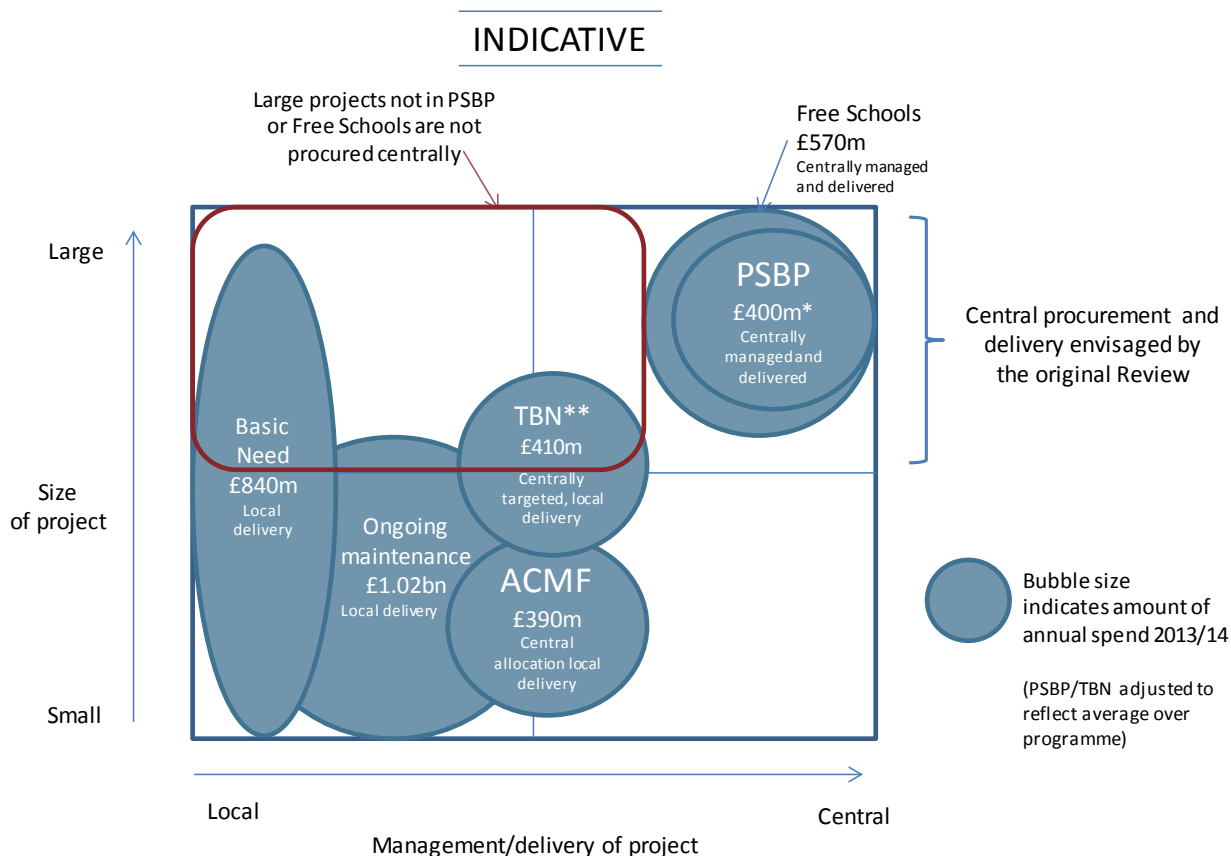
Application of the central procurement model

- 4.16. The PSBP, as cited above, is the best live example of central and efficient procurement, with delivery managed by an intelligent client which learns from experience.
- 4.17. The free schools programme is also managed and delivered centrally, although we note that the majority of projects are refurbishments of existing buildings which, although often cheaper than new builds, are generally less straightforward and therefore less well-suited to a standardised approach. The programme places a high value on speed of delivery given the opportunity cost of missing the start of the school year in September and the EFA therefore uses different procurement routes in order to address these issues. We believe further consideration should be given as to how the principles of the original Review are applied to this programme as it is becoming more established and represents a significant proportion of the capital budget.

Maximising efficiency of other projects

- 4.18. We are impressed with the success of central procurement and delivery to date, although this model has not been applied to other large projects - including around 40 new schools which are to be built through the Targeted Basic Need programme, and other new builds which are funded through Basic Need. Other large refurbishment or expansion projects continue to be procured and delivered locally rather than centrally – as illustrated by the chart below.

Figure 6: Illustrative diagram to show large programmes not procured centrally



Note: *PSBP programme average annual spend calculated as total spend of £2bn divided by length of programme of 5 years
 ** TBN programme average annual spend calculated as total spend of £825m divided by length of programme of 2 years

4.19. The challenge for the Department is therefore to translate the benefits of the central procurement and delivery model across other projects and areas of spend. There are a range of tools available to the Department to do this:

- allocating funding based on framework rates;
- creating an environment of strong accountability and transparency to facilitate benchmarking and determine whether projects are being built to achieve best value for money;
- giving schools and local authorities access to the benefits of central procurement and the ‘intelligent client’ delivery model, for example through framework agreements which allow efficiencies of scale to be achieved, provide a streamline approach to procurement and set a maximum acceptable price; and
- pro-actively advertising these benefits and providing support and advice to local authorities and schools.

A few local authorities have asked to ‘tag’ onto a batch of schools being procured in their area – clearly demonstrating the perceived advantage of being a strong, intelligent client.

Maximising efficiency of other projects – progress to date

- 4.20. Encouragingly, these approaches are already being followed to some degree by the Department. Framework rates are being used to calculate allocations for some programmes as a ‘nudge’ technique to encourage local authorities to utilise or improve on the agreements. We agree this seems sensible and encourages competition amongst framework providers, as there are some good examples of local procurement and delivery through regional arrangements – although local frameworks often have objectives other than securing the lowest rates.
- 4.21. In addition, the Department is producing a Regional Framework which will set terms and pricing which are more suitable for smaller works, and therefore more accessible and relevant to Responsible Bodies and academies.
- 4.22. Importantly, the Department is addressing accountability and transparency through better collection of data, through the SCAP survey, on how money has been spent by local authorities. We still feel, however, that more could be done to understand how capital allocations are used, and to hold ‘overspenders’ to account. For example, there are some examples of local authorities ‘topping up’ allocations in order to build a higher-spec school. We believe this is not an endemic problem, but better information flows on actual build costs from local authorities will enable the Department to monitor this potential issue. We recommend publishing data on spend to increase transparency and allow the sector to hold itself to account.

Maximising efficiency of other projects – further considerations

- 4.23. We suggest a further round of PSBP would be attractive (using the PDSP to inform and validate), to drive deeper into the backlog of condition issues. Alternatively, the Department could consider delivering a much wider range of projects centrally, with a system of earned autonomy for Responsible Bodies who demonstrate the ability to deliver comparable value for money.
- 4.24. We are of the opinion that the management and delivery of projects which are not captured centrally should also be structured to benefit from the concept of an ‘intelligent client’ – where knowledge and experience can be built up and leveraged across a number of projects. As the benefits of this model are realised, the Department should ensure that these are widely advertised, for example through conferences or other such means, and local authorities and schools are able to access and benefit from the approach.
- 4.25. Where the size or scope of the project does not merit being managed centrally, we believe it is still important to capture the knowledge and experience in

managing these projects – perhaps through a form of regional centres of excellence to act as an intelligent client, and run the delivery of projects. This was discussed as a possibility at the time of the Review but has gone no further.

- 4.26. As was raised in the Review, we continue to believe it is important to extract the benefits of central procurement and economies of scale from the purchase of more routine, small-scale items – but which across the school estate make up a significant number – for example boiler replacement, or window repairs. In this situation, a form of central procurement with local delivery might be most appropriate.

Summary

- The EFA now provides a central procurement body which serves as an ‘intelligent client’ to deliver schools under the PSBP and free schools programmes.
- Impressive net cost savings of c.35% are being realised vs schools built previously under BSF, as well as an estimated time saving of over 18 months to get to site – a significant achievement.
- The central procurement model is not currently applied across all large projects, and further benefits could be obtained if it were.
- We propose this could be achieved either through a second, enlarged round of PSBP, and/or through encouraging better procurement and delivery through centrally negotiated frameworks which are accessible to local bodies.
- We also believe that appropriate procurement should be encouraged through allocating funds based on framework rates (which is currently the case for some programmes), by making framework agreements attractive ways to achieve value for money and by creating an environment of strong accountability and transparency.

Appendix A - Summary of programmes demonstrating allocation to need

PSBP	TBN	ACMF
261 schools to be rebuilt (of which 46 as PFI projects, 215 capital funded projects)	376 projects – 332 extensions, 44 new builds	In 2012-13, 1,292 projects funded at 884 academies
£2bn capital funding over 5 years (excluding PFI)	£825m funding over 2 years	£390m budget for 2013-14
Average size of project £9m	Total 72,000 places, smallest project creates 7 places, largest creates 1,222 place secondary school	Allocations ranged from £5,000 to £3.76m
<ul style="list-style-type: none"> • The PSBP provides the clearest example of allocating capital purely based on need. • It selected 261 schools in the worst condition for a specific rebuild programme - of which 74% (192 schools) were not due to receive any funding under the BSF programme. • Responsible Bodies were invited to bid for funds by submitting an application which included condition data and cost to rectify. • The information in the bids was verified by external surveyors, in the absence of PDSP data, and applicants were ranked in order of priority by analysing the ratios of cost to repair vs cost to replace. • There are, however, limitations with the PSBP. Initially, the PSBP was announced as being a PFI programme which discouraged many Responsible Bodies from bidding. • In addition, the PSBP looks at average condition across a school - which therefore discounts schools with one building which needs urgent attention for example. 	<ul style="list-style-type: none"> • The TBN programme was initiated to allow Basic Need capital to be directly targeted by the Department to hotspot areas of demand - identified through a bid process. • It also focussed on providing new places at good or outstanding schools - addressing a need for quality of places as well as pure quantity. • However, improvements to the SCAP survey and the resulting Basic Need allocations may mean that a further round of this programme becomes less relevant in the future. • This would avoid issues such as double funding of TBN and Basic Need. 	<ul style="list-style-type: none"> • The ACMF was designed to allow academies to bid for funds for specific projects to address building condition, as academies do not receive maintenance funding from the LA. • It also provides some funding for popular and successful schools to expand. • Bids are assessed primarily on need, but also value for money and deliverability of proposal. • Favours smaller projects as majority of funding must be spent within a year.

Appendix B – Examples of Baseline Designs

420 place primary school with nursery



1200 place 11-16 secondary school finger block with a practical specialism - Ground floor plan





Department
for Education

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