Departmental Investment Strategy 2005-08

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department for
education and skills
creating opportunity, releasing potential, achieving excellence

DEPARTMENTAL INVESTMENT STRATEGY 2005-08

CONTENTS

DFES DEPARTMENTAL INVESTMENT STRATEGY 2005-08

Introduction

1. The Department for Education and Skills is committed to the Government's goal of building a competitive economy and inclusive society. This is reflected in the Department's strategic aims of:

- creating opportunities for everyone to develop their learning;
- releasing potential in people to make the most of themselves; and
- achieving excellence in standards of education and levels of skills.

2. The places in which children and adults learn, and the equipment which supports them, are crucial in helping the DfES to meet its strategic aims and the underpinning PSA targets. The Spending Review 2000 settlement began the arrest of decades of under-investment in the education and skills estates, with further substantial capital investment in the Spending Review 2002. The capital allocation from these two Spending Review periods has already begun to deliver dramatic changes and improvements to the learning landscape. The settlement for the Spending Review 2004 delivers a further step change in investment for learning in the 21st century. We are now putting a greater focus on making our capital investment work for all sections of the community. There are three key themes at the heart of the Department's investment strategy:

3. **Modernisation** is vital to enable schools, colleges and universities to deliver learning in the 21st century. It fosters more flexible and intensive use of assets, allowing us to derive maximum benefit from them. The Departmental Investment Strategy is an essential part of our process of reviewing our schools strategy to ensure we get best value for the substantial amounts the Government is investing. This includes building on the 64 new City Academies either currently open or under construction, with a view to creating 200 such academies open or in the pipeline by 2010; and the continued roll-out of Building Schools for the Future – our transformational programme to rebuild, renew and refurbish the entire secondary school estate over the next 10-15 years. The Government's investment in higher education will continue to support world-class research. And the pace of investment in modernising the further education estate will contribute to reforms to the 14-19 curriculum and developing further effective links with industry through the Centres of Vocational Excellence (CoVE).

4. **Personalisation** is intrinsic to capital investment across all age ranges. It is a central theme of the Department's Five Year Strategy for Children and Learners and is about developing and investing in learning environments that are tailored to the needs of individual pupils and learners. Personalisation of the learning environment is also about choice and availability of teaching and

learning tools and facilities, which is why ICT development will continue to lead to changes in learning styles and in the way buildings are used. The personalised experience of services is also why we are injecting capital investment into Children's Centres, providing local communities with one-stop support to parents and families at locations and times which are convenient to them.

5. **Utilisation** is closely linked to delivery of a built environment for learners and their families, since buildings will be designed to ensure effective multiple use. This will continue to depend on joining up capital investment across different sectors at local level to support different types of provision and services to local communities. The development of extended schools providing a range of childcare, adult learning and other support services will be at the heart of our strategy for capital investment over the coming years.

6. Our investment plans following the Spending Review 2004 settlement are set out below. Also summarised is a summary of our key achievements across the education and skills sectors following the Spending Review 2002 settlement.

Executive Summary

Early years and childcare

7. Support for early years learning and childcare is critical in giving children the best start in life. Tackling disadvantage at this stage can help to narrow the achievement gap in later years. Capital investment since the Spending Review 2000 settlement is having a demonstrable impact, including:

- 1.2 million new registered childcare places have been created, helping over 2 million children since 1997;
- A network of 107 Early Excellence Centres has been created to serve as beacons of good practice in the delivery of integrated services for young children and their families;
- In disadvantaged areas our Neighbourhood Nurseries Initiative has established over 45,000 new childcare places in 1,279 nurseries and 524 Sure Start local programmes are supporting families with children up to four years old by providing a range of high quality family support, health and childcare and education services;
- At March 2005, the stock of registered childcare stood at more than 1.17 million places (over 80% more than the 1997 level), benefiting 1.6 million children, and there is now a registered place for 1 in 4 children under 8. One of our Public Service Agreement (PSA) Targets commits us to increasing the stock by a further 10% between 2004 and 2008) ; and
- 268 Children's Centres have been designated and we are on target to establish: over 800 offering services to around 650,000 children by 2006;

2,500 by 2008; and 3,500 by 2010.

8. As a result of the Spending Review 2004 settlement, we will be able to:

- provide extended school services in 50% of primary schools by 2008, including creating a further 50,000 childcare places in 1,000 primary schools,

- pilot an extension of free, part time early education to 12,000 two year olds in disadvantaged areas by 2008.

- increase our childcare places stock of over 1.1m places by 10%, representing further significant progress towards our aim of ensuring accessible, affordable, quality childcare is available in every neighbourhood; and

- further expand the delivery of Children's Centres building upon our existing investment through Sure Start Local Programmes (SSLPs), Early Excellence Centres and Neighbourhood Nurseries, delivering up to 2,500 Children's Centres by 2008.

<u>Other capital expenditure relating to children, young people and families</u>

9. Following the Machinery of Government changes announced in June 2003, which amalgamated elements of the Department of Health, the Department of Constitutional Affairs and the Home Office with the DfES, the whole of children's policy has been brought together under a single minister. These changes reinforce the commitment of the Government to improve children's services and capital investment will be intrinsic to the delivery of this agenda.

10. The Government's aim is to ensure that every child has the chance to fulfil their potential by reducing levels of educational failure, ill health, abuse and neglect and anti-social behaviour amongst children and young people. The agenda set out in *Every Child Matters: Change for Children*[1] will be building on supporting parents and carers, early intervention and effective protection, accountability and integration as well as information sharing and assessment. The Department's Spending Review 2004 spending plans build on existing investment in information systems for children's social services and increasing the quality of accommodation in the secured estate to enhance the quality of life for this group of vulnerable children.

11. The Department's 5 Year Strategy, published in July 2004, announced the Government's intention to publish a Youth Green Paper. This paper will set out a range of new proposals to improve outcomes for young people and the capital investment implications for the department will be announced in due course.

[1] Every Child Matters: Change for Children was published as a Government Green Paper in November 2004

Schools

12. We must continue to invest in school buildings, as classroom teaching and physical premises remain at the heart of the educational system. Developments in ICT are bringing about changes in teaching and learning and in the way that school buildings are used. School buildings should also be at the heart of the community, providing learning, recreational and social opportunities for those who are both pre- and post-school age. Investment in the schools estate is a visible sign of the importance attached to education and makes simple economic sense in that it minimises the running costs of providing the school over the longer term. Investing in the accommodation in which pupils learn and teachers and other staff work has a positive impact on pupil attainment. External evaluation is revealing the quantitative linkages between investment in school buildings and increasing pupil performance[2]. It provides suitable facilities for the curriculum to be most effectively delivered, motivates pupils and teachers, enables them to make the most efficient use of their time and encourages the engagement of parents and local communities. This investment supports our PSA targets relating to raising standards and tackling the attainment gap in schools.

13. Investment since the Spending Review 2002 settlement has allowed us to continue to deal with the condition backlog and continue improvements to the schools estate. Every maintained school in England now receives direct capital funding for its building needs, and all schools have now benefited from capital investment. Increasingly, as repairs are dealt with, projects become more standards focused and larger in scope, including an increasing number of new and substantially remodelled schools.

14. Our previous method of allocating capital funding, although including a needs-based element, meant a relatively even distribution of funding. This was right when all areas of the country, and most schools, had urgent condition needs. Continuing that methodology would have brought further incremental improvement, but would not have facilitated the necessary step change in the quality of schools. Following a review, the Department's Five Year Strategy for Children and Learners, published in July 2004, provides for:

- a large scale programme (Building Schools for the Future) to replace or modernise secondary schools;
- supporting the needs of primary schools;
- meeting demand for new pupil places and providing support for the expansion of successful schools;
- ensuring that by 2008 every secondary school which is up to standard will be a specialist school;

[2] *Building Performance* (January 2000) and *Building Better Performance* (February 2003) both PriceWaterhouse Coopers

- expanding the numbers of Academies open or in the pipeline to 200 by 2010;

- providing at least one full service extended school in each local authority area by 2006; and

- continuing to address the remaining condition needs backlog, including direct capital funding to schools to enable them to address their own priorities.

15. Investing across the whole school estate continues to be vital and in the Chancellor's Budget 2005 speech he promised additional transforming investment in primary schools of £150 million in 2008-09 and £500 million in 2009-2010. These additions are investing over and above the baseline for 2007-08. This will support the Government's aim that half of the primary stock will be rebuilt or refurbished over a 15 year period and this will play an important role in delivering 'Every Child Matters' outcomes through the primary school system.

Supporting young people, further education and wider post-16 learning

16. The Department's 5 year strategy includes measures to improve choice and diversity of 16-19 provision. In particular, the strategy introduces competitions among promoters for new 16-19 provision; measures making it easier for high performing specialist schools to open sixth forms where there is insufficient high quality provision; and a joint capital budget to fund new 16-19 projects. We must provide higher standards and greater choice of sixth form and vocational provision for young people, in schools, colleges and workplaces. This must be a positive and fulfilling choice for all young people, delivered through flexible, integrated and innovative networks of collaborative providers.

17. Research carried out by the Learning and Skills Development Agency confirmed the benefits of improvements to the further education (FE) estate. A 2003 Capital Programme Evaluation Study was commissioned by the Department and the LSC to establish the impact of capital investment on the performance of FE colleges. This study also suggests a positive relationship between capital investment and a wide range of outcomes at further education colleges. In particular, investment in the estate has attracted more students and increased college credibility with local employers. It underpins the achievement of our PSA targets relating to participation, tackling the basic skills deficit and reducing the number of adults who lack Level 2 qualifications.

18. We are addressing a legacy of years of under-investment in the FE estate. The size of the estate continues to reduce, despite learner numbers increasing, as space is used more effectively. The ICT infrastructure is improving, through the development of the National Learning Network, which links all FE colleges to the Internet via the Joint Academic Network (JANET). Increased capital investment is an essential part of our strategy to transform standards in education and to engage disadvantaged adults in learning. We are also investing in the adult and community learning sector, and in UK

online, both of which play an important role in our basic skills agenda.

19. As a result of the 2004 Spending Review settlement, investment in the FE estate and new school sixth forms will rise to £596 million by 2007-08, a 39% increase compared with planned spend in 2004-05. This includes additional funds which will be transferred to the LSC from schools capital from 2006-07, which, when linked with funds earmarked for rationalisation of facilities for 16-18 year olds in FE, will establish a single capital budget to fund new projects. This will allow the LSC to focus on our key agendas: widening choice for young people, delivering Success for All to continue to drive up quality; and reshaping the sector to become more demand led as set out in the Skills Strategy. This increased investment will allow us to open new school sixth and FE provision for 16-18 year olds, continue the renewal of the FE estate to deliver world class facilities and build on the success of the CoVE network by introducing FE Academies that will be developed in close collaboration with industry sponsors.

20. In his Budget 2005 speech the Chancellor referred to a 5 year £1.5 billion programme for the renovation and renewal of FE colleges. This £1.5 billion includes £350m new funding spread over 2008-09 and 2009-10. The remainder reflects existing capital funding to colleges via the Learning and Skills Council. Precise details on how the additional funding will be made available will be announced in due course and will be informed by the work of the Foster Review.

Higher Education

21. Investment in the higher education estate will play an important part in encouraging young people into higher education and reducing non-completion rates. A modern estate will be needed in order to achieve the Public Service Agreement (PSA) target to increase participation in HE towards 50 per cent of 18- to 30-year-olds by 2010. Sustained investment since 2000 has also improved the infrastructure for ICT and e-learning in the sector.

22. The Government is committed to enhancing excellence in higher education research, which is essential to realise our aspirations for science and innovation. It is vital for the productivity and economic well-being of the country that our universities are able to compete with the best international institutions. This requires the long-term sustainability of our research base. Funding on science across DfES and DTI will be £1bn higher in 2007-08 than in 2004-05. In SR 2004 the Department’s allocation of funding for another round of investment in universities' infrastructure through the Science Research Investment Fund (SRIF) will be £200 million each year in 2006-08.

23. We will continue the work with the Office of Science and Technology, Higher Education Funding Council for England, other government departments and key stakeholders to ensure the successful implementation of Full Economic Costing (FEC) in universities in September 2005, in order that universities can recover the full costs of their research activities.

PFI

24. The Private Finance Initiative (PFI) is a means of delivering better and more cost-effective public services by bringing the private sector more directly into the provision of the assets the public sector needs. The PFI has an important role to play in securing a modern educational infrastructure fit for the 21st century – which is necessary for delivering the Government's aims of raising standards, securing wider access and encouraging lifelong learning.

25. The DfES allocates PFI credits (a form of notional capital) to Local Authorities for particular projects; the credits relate to the cost of both the initial capital expenditure and the cost of the lifecycle maintenance of the buildings or other assets. The actual capital is invested by a private sector contractor which then recovers its investment through a regular monthly charge to the Local Authority over the period of a long term contract. This charge covers both the repayment of the capital invested in the asset and the provision of a managed service based on that asset. The PFI credits produce a revenue stream paid by the ODPM to the Local Authority which is used to repay that part of the regular charges which relates to the capital expenditure and lifecycle maintenance. All Local Authority PFI projects must offer Value for Money in comparison with conventional procurement and must be approved by the Treasury chaired Project Review Group (£20 million is the minimum project value). The procurement itself is then conducted on a competitive basis under EU procurement rules before final approval by the sponsoring central government department.

26. PFI can bring better value for taxpayers' money by harnessing private sector expertise and innovation, and by allocating risks to the partner best placed to manage them. It is about more than just financing and accounting – it aims to exploit the full range of private sector management, commercial and creative skills. It is also about partnership, combining the best of public and private sectors.

27. Since the first schools project was signed in 1997 PFI has become a well established route for the construction of new schools and the refurbishment of existing ones. By June 2005 there were 89 signed schools PFI projects and a further 19 in procurement. The signed projects covered 715 schools and were supported by £2.87 billion in PFI credits. The 19 projects in procurement covered 149 schools and were supported by a provisional allocation of £1.18 billion in PFI credits. There has also been an increase of use of PFI in the higher education (HE) sector where there are now 16 PFI projects. Projects in the HE sector include complete campus relocations, sports and leisure facilities for college and community use, and provision of state of the art information and communications technology (ICT) facilities.

28. PFI techniques have had limited application in the FE sector due to the independent status of colleges inhibiting the bundling of projects necessary to achieve PFI project thresholds. The LSC is to further investigate the possibilities of adding college projects to schools PFI projects procured

through the Building Schools for the Future programme and the possible application of the LIFT processes as currently undertaken in the health service. It will also review with the DfES the potential for discretionary support to providers' projects on a revenue or "PFI credit" basis so as to encourage a revenue-led approach to project support that is more attractive to developers and investors/financiers than the current front-loaded capital grant regime.

Overall investment

29. The proposed investment across the education and skills sectors can be summarised as follows:

Summary of proposed capital investment following the 2004 Spending Review settlement

£ millions[3]	2005-06	2006-07	2007-08
Sure Start, Early Years and Childcare, and Children's Social Services	335	470	585
Schools, including ICT[4][5]	4,359	4,560	5,035
Post 16 Education and Skills[6]	408	483	603
HE SRIF[7]	208	237	267
HE	442	468	472
PFI credits[8]	1220	1270	1320
TOTAL	6,972	7,488	8,282

Procedures and systems

[3] Figures include the baseline and the additional funding from the Spending Review 2004 settlement.
[4] Totals include £44m each year of Standards Fund capital grant and £26m in 2006-07 and 2007-08 as part of the e-strategy for learners to have online access at school and beyond the school day
[5] Including £50m extra announced in Budget 2005 for ICT investment in schools
[6] Consists mainly of capital grants administered by the LSC for FE, Adult and Community Learning, the Joint 16-19 capital fund with £70m and £100m contribution from schools capital, and information and learning technology. Also included is non-departmental public bodies' capital spending on their own estates.
[7] This is the Department's allocation of funding for science and research over the Spending Review 2004.
[8] Includes £20m of PFI transfers from the Department of Health in each year of the Spending Review period.

30. The DfES delivers almost all its services through other bodies, most notably the local education authorities (LEAs), the Learning and Skills Council (LSC) and the Higher Education Funding Council for England (HEFCE). Local managers of schools, colleges and universities have considerable freedom to manage their own budgets. We work with the funding bodies to ensure that they have robust plans for capital investment and that public funds are being spent wisely. This investment strategy consists of a series of distinct approaches, reflecting the differing needs and autonomy of each sector. In the case of the schools sector, the introduction of asset management plans has allowed greater autonomy over investment in return for robust plans demonstrating strategic priorities for investment.

31. The DfES has less involvement in FE and HE capital investment projects, as these are delivered at the institutional level. However, the DfES sets the broad agenda, and HEFCE and the LSC make their grants to institutions conditional on best practice in appraisal and project management being followed. In the case of HE, this has been set down in the guidance produced by the sector's Joint Procurement Policy and Strategy Group.

32. However, despite the diversity of the education and skills sectors, our investment in the estates takes the synergies between them into account. Indeed, we are working to develop these synergies further, through initiatives such as extended schools, which make use of school facilities for childcare and other activities, and rationalising 14-19 provision. We will also establish an LSC led joint 16-19 capital budget to support coherent investment in new 16-19 provision. This will bring 16-19 capital together and remove the obstacles that different priorities and timetables for the existing schools and LSC budgets present, including implementation of the outcomes of area inspections and Strategic Area Reviews (StARs). It will also remove the risk that decisions about what type of new provision is made are distorted by the existence of different capital funding sources. The Department and the LSC are working through the detail of how this new budget will operate and will develop detailed guidance.

33. The Departmental Investment Strategy (DIS) is a strategic document, and so it follows the Department's five overarching objectives, as set out in the DfES PSA targets[9]

[9] The Department's PSA targets can be found at http://www.hm-treasury.gov.uk/media//F723C/sr04_psa_ch2.pdf

Objective 1

Safeguard children and young people, improve their life outcomes and general well-being, and break cycles of deprivation

Current asset base

34. Around 50% of Government funded early education provision is delivered directly by LEAs. The rest is delivered by the private, voluntary and independent sectors, since 2003-04 *all early education funding is now through the formula funding route.* There are 460 LEA maintained nursery schools of which 88 are also Early Excellence Centres, some of which have been designated subsequently as Children's Centres. There are around 37,000 settings where Government funded early education is being delivered including nursery and reception classes in primary schools, private nursery schools and other pre-schools and playgroups.

35. Capital investment is a vital element of our early years and childcare strategy. The Neighbourhood Childcare Initiative increased the supply of childcare (day care, out of school care and childminding) in the 20% most disadvantaged areas in the country and provides services in pockets of deprivation outside the 20% most disadvantaged areas.

36. The Neighbourhood Nurseries programme is a key component of the Neighbourhood Childcare Initiative. Over 45,000 places were created in 1,279 Neighbourhood Nurseries. Significant capital funding has come from the lottery distributor, the New Opportunities Fund (NOF), with the Department providing a further £25 million. By March 2005, over 1.2 million new registered childcare places benefiting over 2 million children had been delivered since 1997. The DfES *Five Year Strategy for Children and Learners*, published in July 2004, outlined as part of the Government's Offer that all young children and families should be able to get one-stop support at Sure Start Children's Centres.

37. There are now 107 Early Excellence Centres (including 6 special projects, which deliver specific support on issues around health needs to parents in some areas of the country) delivering quality integrated early education, childcare and family services, exceeding the Manifesto commitment of 100 Early Excellence Centres by 2004.

38. Neighbourhood Nurseries and Early Excellence Centres have typically involved the refurbishment of existing premises, but 35% of nurseries are new build. In addition, almost £40m has been made available between 2004-06 to support the creation of over 95,000 new out-of school places, including 40,000 in disadvantaged areas and support Playgroup and Pre-school Daycare conversions in all areas. We have exceeded our target to deliver 500 Sure Start Local Programmes by 2004. 524 Programmes are delivering childcare, health and family support services in areas of disadvantage, with over £500m capital committed to date. The Spending Review 2002 provided resources to create a

network of children's centres in areas of deprivation. We are on target to deliver over 800 Centres by March 2006, providing services for 650,000 children, rising to 2,500 centres by 2008; and 3,500 by 2010.

39. Additionally, extended schools services including childcare, are being provided in many schools (primary and secondary). The Government's ambition is for all schools to become extended schools by 2010.

New investment plans

Year	2005-06	2006-07	2007-08
Investment	£335m	£470m	£585m

40. Over the last few years, a great deal has been achieved in what is still a relatively new sector. However, set against the Government's aims outlined in the ten year childcare strategy *Choice for parents, the best start for children* published alongside the Pre Budget Report in December 2004, there remain significant challenges. The strategy sets out the Government's vision to create a sustainable framework for high quality services for children and families. Investing further capital to develop extended schools and children's centres, as well as more accessible, affordable childcare, is essential to delivering that vision.

41. The Spending Review 2004 settlement will:

- create up to 2,500 Children's Centres to reach all children living in the 20% most disadvantaged areas, and many in pockets of deprivation beyond this, by 2008 and create many more childcare places within extended schools;

- ensure a further 10% growth in the stock of registered childcare places by 2008 (on top of the Government's existing target of creating new places for 2 million children by 2006), in order to progress towards our aim of ensuring accessible, affordable, quality childcare is available in every neighbourhood; and

- create 50,000 new childcare places in at least 1,000 primary schools, offering the full day, 48 weeks per year, education and care model.

- enable 50% of primary schools to offer extended school services, schools will offer services directly or to be part of a network of schools doing so between them.

- enable a pilot extension of free, part time early education to 12,000 two year olds in disadvantaged areas by 2008.

Longer Term Investment plans

42. The Ten Year Childcare Strategy *Choice for parents, the best start for*

children makes commitments that:

- legislation will be in place by 2008 to impose a new duty on Local Authorities to secure sufficient supply of childcare in their areas to meet the need.

- building on the guarantee to all 3 and 4 year olds of a free, part time (12 and a half hours per week), early education place, from 2006, all 3 and 4 year olds will receive their free early education over 38 weeks of the year. Early education will be further enhanced from 2007 when 3 and 4 year olds will begin to receive an enhanced entitlement of 15 hours per week, with all of them receiving it by 2010. Our longer term goal is an extension of the entitlement to 20 hours a week.

- by 2010, there will be 3,500 Children's Centres, one for every community in England.

- by 2010, there will be a childcare place for all children aged between 3 and 14, between the hours of 8am to 6pm each weekday by 2010, this will include an offer for all parents with children aged 5-11 of affordable, school based childcare on weekdays between the hours of 8am to 6pm, all year round.

Children's Social Services capital

43. Department funding of £20m is being made available for building the information technology systems required to support the Integrated Children's System (ICS). This funding is primarily concerned with establishing a system which will enable local authority staff to record and manage electronically case record information about children being served in the context of the Children Act 1989. Developments in Information Sharing and Common Assessments and the NHS Care Record Service will require links to be defined and information sharing to be effectively integrated.

Procedures and systems

44. Sure Start has produced the *Building for Sure Start Design and Client Guide*, which is aimed at anyone involved in, managing or leading a Sure Start capital project. The Client Guide focuses on the role and responsibilities of the client such as local authorities or voluntary sector groups in delivering any capital project, providing advice and information on the client's role throughout planning, design and construction, as well as information on the procurement process and ensuring design quality. The Design Guide focuses on advice for anyone involved in designing an integrated centre for children and families, such as a local authority employee, and includes detailed case studies and illustrations.

45. Grants for capital spending for childcare and early years education are managed by the Sure Start Unit within DfES, and distributed through local authorities. Capital funding to support the delivery of childcare and out-of

school places is allocated by the Unit to areas of greatest need. Capital Grants for Children's Centre projects are paid to the local authority (LA) as part of general Sure Start grant payments. Each LA has been given an indicative allocation along with targets for the creation of childcare places and families to be reached by March 2006. The Sure Start Unit recognises the challenges delivering capital projects presents to a number of local authorities and a comprehensive framework of universal and targeted support is in place to help facilitate delivery. The Sure Start Unit has established a web-based system for the submission of capital projects for approval and individual projects are reviewed to ensure they will support the delivery of the Children's Centre core offer and assessed by external specialists for value for money and suitability for purpose.

46. Capital grants are paid to Sure Start Partnerships to fund the building or refurbishment of premises or to enable the installation of ICT and the purchase of equipment. An indicative capital allocation is available to programmes for three to five years, with full approval of projects subject to a review of plans submitted by the partnerships. The Sure Start Unit ensures that the specifications and costings are appropriate for the capital projects put forward, using external specialist advisers.

47. The Sure Start Unit Capital Strategy Project was established in 2003 to address a major risk identified in the Unit Delivery plan – that key programmes such as Children's Centres, neighbourhood nurseries, Sure Start Local Programmes and out of school childcare places will not achieve their targets unless capital projects are completed. The strategy is managed by a dedicated project team leading a cross unit project, identifying barriers and developing strategies to overcome them.

48. Since the initiation of the Unit's capital strategy, significant progress has been made to reducing barriers such as VAT, PFI issues and Clawback. In addition universal and targeted support including, guidance, information, strategic and project level support has resulted in an acceleration in the delivery of capital projects and spend.

Objective 2

Raise standards and tackle the attainment gap in schools

Current asset base

49. There are some 23,000 maintained schools in England, accommodating around 7.7 million pupils, plus teachers and support and administrative staff. About 3,400 of these schools are in the secondary sector, with 52% of them having sixth forms. Around 18,000 are primary schools, and the balance are mainly Special Schools and Pupil Referral Units. As a result, schools account for the great majority of the Department's annual capital investment. The stock of school buildings (excluding land) has an estimated like-for-like replacement cost of £100 billion.

50. Only 14% of schools currently operate from buildings constructed since 1976. School buildings built between the 1950s and the 1970s usually had a design life of 30 to 35 years. Therefore, most of the school stock is already into its replacement period, increasingly expensive to maintain and operate and unsuitable for modern school use. These buildings are rarely loved or seen as community assets. Replacement or major refurbishment makes greater long-term economic sense than continual repair of life-expired assets, and enables more efficient and cost-effective operation by reducing maintenance, security and energy costs.

51. All schools have benefited from building improvements since 1997, and all schools now receive direct capital for their building needs. By 2007-08 the annual direct capital funding (including for ICT needs) for a typical 1,000 place secondary school will be £123,000.

52. We are also working to create more stimulating learning environments in schools and to determine characteristics that make them most suited to education in the 21st Century. The Department's £13 million *Classrooms of the Future* initiative is funding 26 pilot projects, spread among 12 LEAs, which are testing out innovative ideas for school building design and how these can help raise pupil achievement. By June 2005, 24 had been completed and pilot evaluations carried out on four. The findings will be incorporated into future versions of our *Schools for the Future* guidance, first published in February 2002.

53. The sequel to the *Classrooms of the Future* initiative, *Teaching Environments for the Future*, is looking at how design may help resolve school workforce issues. 18 LEAs are sharing DfES funding of £10 million to develop 25 pathfinder projects. Most of these are in the design stage, but all should be finished by September 2005. We have developed and published a range of exemplar school designs based on best practice and the aspirations of *Schools for the Future* to ensure improved design standards and value for money, addressing capacity concerns and bringing also cost and time benefits through standardisation. These designs are available to LEAs and others to use in whole or in part within the Building Schools for the Future programme.

Disabled access

54. The Department has given a firm commitment to reduce bureaucracy and administrative burdens on schools. The information and data we collect from schools is being reviewed and consulted on, including data that informs the planning duties schools and local authorities now have under Part 4 of the Disability Discrimination Act 1995 as amended by the SEN and Disability Act 2001. Under the planning duties schools and LEAs are required to plan strategically to increase the accessibility of their schools to disabled pupils.

55. The first accessibility plans (schools) and strategies (LEAs) were required to cover the period from 1 April 2003 to 31 March 2006. The Department has made available a total of £300 million from the Schools

Access Initiative to LEAs for capital projects to improve access for disabled pupils in their mainstream schools over the same period.

Asset disposal strategy

56. A key element of our strategy is encouraging the efficient use of school building assets. This was reflected in our development of a new robust method of capacity assessment which led to capacity surveys of all schools, taking into account physical measures of land and buildings at school level for the first time. It has ensured that accurate information can contribute to local decision-making on whether to retain or dispose of assets and is also providing information to the Department about the level of surplus places in different LEAs, enabling us to intervene where there appear to be major difficulties. This capacity assessment will complement our encouragement of surplus asset disposals by LEAs through asset management plans and options appraisal, explained in more detail below.

57. We have also prepared specific options appraisal guidance to encourage schools and LEAs to look at disposal proceeds where assets are surplus. When LEAs bid for major projects, they are encouraged to dispose of surplus assets so that the resource freed up can be invested in assets for which there is a good educational return. Whilst there is encouragement to dispose of surplus assets, we also have very strong safeguards concerning the disposal of school playing fields, which must be approved by the Secretary of State. Advice to the Secretary of State on all disposals is provided by an independent body, the School Playing Fields Advisory Panel, which comprises representatives from the National Playing Fields Association, the Central Council of Physical Recreation and Learning through Landscapes. The sale of a school playing field must be considered only as an absolute last resort and outdoor sports facilities will normally be expected to have first call on any sale proceeds.

New investment plans

Year	2005-06	2006-07	2007-08
Investment	£4,359m	£4,560m	£5,035m

58. Between 2001-02 and 2003-04, the bulk of LEAs' schools capital funding was allocated by formula with needs-based elements, partly on pupil numbers and partly on relative need from Asset Management Plan (AMP) data. This methodology resulted in a relatively flat allocation of funding, seen as reasonable and fair when all authorities and most schools had a considerable backlog of urgent repair and health and safety needs.

59. Decisions on whether to repair, modify, completely renew or dispose of school buildings were made locally. Prioritisation was undertaken by the LEA in consultation with its schools as part of its AMP, reflecting local priorities and the funding available. We encouraged the use of options appraisal and

whole-life costings to identify the best means of maximising value for money in the short and in the longer terms. However, the competing needs of many schools, local pressures for ‘fairness’ and the transparency of the AMP process also meant that LEAs spread their funding widely in incremental improvements, rather than target it to achieve a step change.

60. Continuing to allocate the increasing amounts of funding in the same way might have meant some increase in modernisation rather than repair or refurbishment but the overall improvement would still have been incremental. To support a step improvement in secondary school provision, where the needs are greatest, most complex and costly, we have developed the Academies and the *Building Schools for the Future* programmes.

61. Academies are publicly-funded independent schools, which have the freedom to raise standards by introducing innovative approaches to their management, governance, teaching and curriculum. They are established in disadvantaged areas, either as new schools or to replace poorly performing schools. They will offer a broad and balanced curriculum with a specialist focus in one or more subjects, and will share their expertise and first rate facilities with their local family of schools and the local community.

62. While Academies are central to the delivery of the Building Schools for the Future programme, they are more than just a capital building programme. They are a radical overhaul of the secondary education provision within a community, of which a new built environment is only a part. Academies will pioneer innovative solutions to the problems of long term poor performance and the failure to address underachievement, where other forms of intervention and improvement strategies have failed. They have a core role to play in breaking the link between social circumstances and achievement.

63. There are currently 17 Academies operational, the first of which opened in 2002, and more than 40 projects in various stages of development. The Five-Year Strategy commits us to providing 200 Academies open or in the pipeline by 2010. While some of these new Academies will be provided through the BSF programme, the majority will be provided by a significant expansion of the current Academies capital programme, which will grow from a planned £207m investment in 2005-06, to £365 million in 2006-07 and £467 million in 2007-08.

64. *Building Schools for the Future,* is an ambitious large scale programme which will give every secondary school the buildings, facilities and ICT it needs to succeed. It brings together exciting new designs, systematic planning for school modernisation in each locality and better methods of procurement to make sure we get good buildings and good value for money. The programme is being staged in several waves, with the aim of covering all local authorities over the next ten to fifteen years, subject to future spending decisions. By 2008, the programme will involve over 500 schools built, under construction or planned in detail.

65. By improving the processes of design, procurement and construction, we can deliver higher educational standards and better value for money. We

now have substantial experience, not only of conventional procurement, but also of the strengths and limitations of public private partnerships.
In the past some conventional procurements have been expensive and inefficient, with weak incentives to high-quality construction. PFI, which is a central element of Building Schools for the Future, has ensured that those who build have incentives to build well because they are also responsible for long-term maintenance; it has ensured incentives for projects to stay on budget and on time by transferring the cost risk of overruns to the private sector; and it has insulated large capital investment from the dangers of low spending on maintenance, by agreeing a comprehensive maintenance programme at the outset. For these reasons we see a continuing important role for public private partnerships in schools building, including the continuing use of the PFI.

66. We also know from our own information and from the Audit Commission study that the earliest schools PFI schemes did not always deliver fully the educational vision behind them. And while most local education authorities and schools have been delighted with the PFI investment in their areas, others have found it difficult to translate their educational vision into suitably flexible contractual terms. We have learnt from these early schemes, and PFI is now delivering some truly excellent school buildings. There are now over 700 schools benefiting from PFI investment, with many more coming on stream.

67. *Building Schools for the Future* will use a balance of procurement methods, both PFI and conventional; decisions on which method to use in particular cases will be taken on Value for Money grounds. Whatever procurement method is used, we will need to ensure that local people get the right support and expertise from the centre in negotiating the right quality and the right price in contracts. This is why we have set up a national body, Partnerships for Schools (PfS), dedicated to supporting good value in procurement. PfS is an NDPB wholly owned by DfES but with the support and involvement of Partnerships UK. PfS will be a major agent for change. It will:-

- manage the delivery of the programme of strategic investment;
- use PFI and other procurement methods efficiently, learning lessons from previous experience;
- work with local education authorities and schools to line up a steady supply of groupings of schools which need strategic renewal, with funding arrangements in place;
- benchmark and test supply chains regularly to achieve procurement gains and pass these to schools;
- join similar projects together and either carry out procurement centrally on behalf of schools or support local procurements, so reducing costs and complexity;
- encourage the market of private sector suppliers.

68. PfS, as a vehicle, will work both to national educational priorities, and with local education authorities and schools on bottom-up solutions which address local needs and challenges. The proposals identified for particular areas will be led by the relevant local education authorities, also engaging fully with local schools and communities and agreeing clearly and openly the solutions with them. PfS will also enable the Department to deliver its commitments on deriving efficiencies from investment in schools capital arising from the Efficiency Review.

69. We will continue to provide substantial formulaic funding to LEAs and directly to schools to meet the need for new pupil places, to reduce still further the backlog of condition needs, to prevent deterioration of school buildings, and to support suitability improvements needed in the shorter term in LEAs which are in the later waves of *Building Schools for the Future*. We will ensure, however, that such work is compatible with the future work to be done under the *Building Schools for the Future* programme.

70. We are setting up a new single joint 16 to 19 budget for the provision of sixth form places in schools and colleges, funded from both schools and further education budgets, and administered by the Learning and Skills Council.

71. The Department's research has shown the importance of school buildings as a community resource, particularly in disadvantaged areas, and the benefits to neighbourhood renewal of investment in them[10]. We already have a number of signed schools PFI projects which include community facilities and which are jointly funded with other Departments such as ODPM and DCMS and more are in procurement. We will continue to work with other Departments to reduce the bureaucratic burden of co-ordinating different funding sources and to link capital investment where resources can be shared, in order to get wrap-around provision with comprehensive development and economies of scale. This will be particularly important in the context of the *Building Schools for the Future* programme.

PPP/PFI

72. PPP/PFI has become a well established procurement method for the construction of new schools and the refurbishment of existing ones. By June 2005 there were 89 signed schools PFI projects and a further 19 in procurement. The signed projects covered 715 schools and were supported by £2.87 billion in PFI credits. The 19 projects in procurement covered 149 schools and were supported by a provisional allocation of £1.18 billion in PFI credits.

73. The Department has continued to work, in conjunction with Treasury and others, to ensure the standardisation of PFI contracts in order to achieve better value for money (VfM) for the public sector. The third versions of both the Treasury and the schools specific contract guidance were published in

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[10] *Building Performance* (January 2000) and *Building Better Performance* (February 2003) both PriceWaterhouse Coopers

2004. We also commissioned the 4ps (an organisation which provides procurement support to local authorities) to produce a Schools PFI Procurement Pack to assist Local Authorities in the process and help to reduce further the time taken to reach contract signature, thereby reducing costs for both the public and private sectors. This standardisation process will be the basis for further developments under the *Building Schools for the Future* programme.

Procedures and systems

74. From 2000-01, we introduced a new capital strategy for schools which moved capital investment in schools from a centrally directed process, with LEAs and schools bidding for most funding, to a system where the bulk of funding is allocated to LEAs and to schools through simple formulae with needs related elements, and where investment decisions are made locally. The new strategy has greatly reduced bureaucracy, avoided perverse incentives, improved the quality and amount of local investment planning and decisions, and resulted in better value for money.

75. The key instruments of the capital strategy are Asset Management Plans (AMPs), based on a full survey of school buildings for condition, suitability and sufficiency needs. Authorities must prioritise between their schools' needs in a transparent and consultative process involving schools and other relevant bodies, in the context of educational priorities. Where an AMP has been appraised as sufficiently robust, the LEA has autonomy to invest its formulaic capital funding in its priorities.

76. For 2003-04, we appraised over 90% of LEAs' AMPs as having developed satisfactorily, compared with an initial 65% in 2000. This represents good progress, particularly as AMPs have been made more strategic. We expect the standard of asset management to continue to improve. The Department will lighten the touch of its appraisal for the best performing authorities, but will continue to support LEAs where AMPs are still relatively weak. Local Authorities which gain an 'excellent' score under Comprehensive Performance Assessment will no longer be required to produce an AMP, but we would expect AMP good practice and procedures of prioritisation and consultation to continue to support strategic best value investment in the school estate. We have revised Area Guidelines for both primary and secondary schools and have done further work on cost modelling to inform more robust benchmarking. Revised data received from LEAs during 2003 on condition and suitability needs was used to inform revised allocations of formulaic funding for 2004-05 and 2005-06.

77. The capital strategy also gives greater certainty about future funding allocations, so that LEAs and schools are able to plan further ahead and invest more rationally, and to join building needs with funding programmes. In early 2003 we announced details of formulaic allocations for the 2002 Spending Review period to 2005-06, thereby giving LEAs certainty of this element of their funding over the period. We made a similar announcement in November 2004 to cover the Spending Review 2004 period. We will also continue to offer LEAs an opportunity to apply for funding for standards

directed projects which support educational priorities, including those for children with special educational needs, which might not otherwise be funded from formulaic allocations.

78. We consulted in 2002 on proposals to simplify the allocation of Basic Need funding for the provision of additional school places in areas of population growth, including the expansion of popular and successful schools. A new method of allocation, informed by the responses to that consultation, was introduced for Basic Need funding for 2004-05 and subsequently.

79. Following consultation in 2001, by Regulatory Reform Order we greatly simplified the premises responsibilities for schools in the Voluntary Aided sector from April 2002, including a cost neutral reduction of LEA responsibilities and of the statutory governors' contribution to investment in relevant school buildings from 15% to 10%. We have now introduced the VASIS ICT system to simplify the allocation of funding, and the payment of accounts for Voluntary Aided schools. We will continue to ensure that the Voluntary Aided sector receives a fair proportion of overall capital funding, based on relative pupil numbers.

ICT

Current asset base

80. The ICT in Schools (ICTiS) Programme is the Government's key initiative for raising education attainment in schools through, for example, improving ICT infrastructure, developing a wide range of digital resources for teaching and learning and equipping teachers to be effective users of ICT. The ICTiS programme is delivered through a range of partners including the British Educational Communications and Technology Agency (Becta), schools, LEAs, and the ICT industry. The ICT assets used in the delivery of our strategic objectives are held by schools, LEAs and Becta and are worth an estimated £3.7 billion. The programme aims to achieve value for money through negotiating central framework procurement contracts (such as for laptops and interactive whiteboards) and through aggregation of demand (such as regional broadband consortia of local authorities which act in concert to secure bulk purchasing deals for Internet connectivity across regions, service areas and sector boundaries, and to co-ordinate the development of appropriate digital resources).

81. All the indications are that the programme is delivering better learning and teaching. The independent ImpaCT2 study (2002) found that, when used effectively, ICT can have a positive effect on pupil attainment across Key Stages 2-4, with improvements of up to half a GCSE grade in some subjects. The research also indicated that the trend for pupils to achieve better standards where their school offers good ICT learning opportunities is true across all social-economic circumstances. This broad finding is repeated across different research studies. The latest assessment by Ofsted (2004) is that, "The positive influence of ICT in schools continues to rise and can no longer be denied."

82. Government investment in ICT has significantly improved pupil and teacher access to ICT in the school. National average computer to pupil ratios in primary schools have improved from 1:17.6 in 1998 to 1:7.5 in 2004, and in secondary schools from 1:8.7 in 1998 to 1:4.9 in 2004. In 1998, only 17% of primary schools and 83% of secondary schools were connected to the Internet but by 2002, over 99% of all schools were connected. Connection speeds are increasing with 61% of primary and 98% of secondary schools connected to the Internet at broadband speeds at June 2004.

Asset disposal/acquisition

83. Both LEAs and schools include equipment disposal in the ICT development plans which, until 2003, were a condition for receiving the National Grid for Learning Standards Fund grant (now ICT in Schools Grant). Guidance on planning, purchasing and using ICT in schools is available from a range of sources including Becta's ICT advice site - www.ictadvice.org.uk. Becta and other partners have also published online planning tools to assist schools to better plan their ICT investment, including understanding the 'total cost of ownership' (TCO) of ICT and make better-informed decisions. As well as being a financial planning tool, TCO also encourages robust management disciplines for disposal and replacement cycles.

ICT New Investment plans

84. The next phase of school reform is underpinned by ICT so we are focused on effectively embedding ICT in teaching, learning and school management and ensuring the flexibility, integrity and stability of the over-arching technical architectures in schools and across learning communities. This means working closely with the primary and secondary strategies to:

- develop resources and support services to embed ICT across the curriculum;
- ensure investments provide best value and the platforms, content and connectivity for enabling the personalisation agenda; and
- define and promote technical standards required to enable further integration of, and interoperability between, e-systems.

85. These objectives are underpinned by the rationale that investment in ICT transforms teaching and learning, improves standards, adds to economic growth and employability, and helps to reduce social exclusion, teacher workloads and the ICT skills gap.

86. We will further extend fast-speed connections to the Internet so that good quality ICT becomes a commonplace tool in all schools. We are on target for all schools to be connected to broadband by 2006. We expect over the spending period to make sure that schools have the bandwidths appropriate to their particular circumstances and needs. Typically we expect broadband Internet connections at 2mbps in small and rural primary schools and 8mbps in larger/urban primaries; and at 34 -100 mbps in secondary

schools depending on size and location. High speed connections are essential to enable teachers and learners to exploit multimedia resources, especially those available through Curriculum Online, and to allow efficient and effective data transfer. We will also improve the management uses of ICT.

87. Funding will be available to maintain computer to pupil ratios at 2004 levels over the period which will see a major replacement programme as equipment becomes less flexible and less capable of operating multimedia content. At the same time we will encourage investment in a range of 'non-desktop/laptop' technologies, including electronic interactive whiteboards and video technologies. An increasingly rich ICT environment, including newer technologies, will increase the benefits that ICT can bring, benefits highlighted by our research and evaluation programme. This will ensure that schools increasingly have access to the appropriate technologies to meet and be driven by their learning and teaching needs. This will also support the introduction of onscreen ICT tests at Key Stage 3 and the related PSA target, to ensure that at least 85% of children achieve Level 5 by 2007.

ICT Procedures and systems

88. ICT funding is becoming more integrated within the overall departmental capital strategy to ensure best value for money from the Department's capital investment. Risks, such as the level of connectivity, telecoms tariffs and the volatility of ICT technology markets, are managed by the ICT in Schools Programme, which oversees progress across all ICT developments.

89. It is important to note that full impact of this sustained, substantial investment in ICT capital is only achieved with complementary revenue funding to cover essential non-capital services, consumables and peripherals.

Objective 3 and Objective 4

3 All young people to reach age 19 ready for skilled employment or higher education

4 Tackle the adult skills gap

Supporting young people

90. In our *14-19: Opportunity and Excellence*, we set out a long-term vision for a more engaging and compelling 14-19 phase of education that is more flexible and responsive to students' individual needs. We are already improving post-16 participation in education and training. Strong new partnerships are providing over 90,000 14-16 year-olds with the chance to

study vocational subjects for part of the week in colleges or with training providers. New GCSEs in vocational subjects are proving popular, and over 250,000 young people are currently doing apprenticeships. We must provide higher standards and greater choice of sixth form and vocational provision for young people, in schools, colleges and workplaces. To achieve this aim we will need a world-class system of technical and vocational education, so that it becomes a positive and fulfilling choice for all young people, delivered through flexible, integrated and innovative networks of collaborative providers. Delivery of this agenda implies greater choice and diversity of learning providers.

91. In 2003, the Department published 5 key principles that should underpin the organisation of 16-19 provision. These cover the importance of quality, distinct provision, curriculum breadth, learner choice and cost effectiveness. The Department's 5 year strategy, which includes measures to improve choice and diversity of 16-19 provision, builds on these principles. In particular, the strategy introduces competitions among promoters for new 16-19 provision; measures making it easier for high performing specialist schools to open sixth forms where there is insufficient high quality provision; and a joint capital budget to fund new 16-19 projects. Finally, it is clear over the 14-19 phase of learning that schools, colleges and other providers must collaborate over delivery of a broad range of good quality provision.

92. Our investment in schools, which is included in the previous section, also contributes to the 14-19 phase of education, and to support for adult learning. The extended schools programme encourages schools to consider the possible additional family and community facilities they can offer, including those for adult learning.

Local Authorities Youth Service

Current asset base

93. The local authority (LA) Youth Service operates from LA owned premises, and also from assets owned by the private and voluntary sectors. Activities include youth clubs, youth projects, information, advice and counselling services, outdoor activities and community and study support. A consultation held in 2001 concluded that the LEA Youth Service has been under-funded for many years and that the estate was in a poor condition.

New investment plans

94. Reports published during 2001, including the Public Order and Community Cohesion and Cantle reports, highlighted the importance of tackling youth alienation. They suggested the Youth Service could play a key role in addressing the social exclusion of young people. However, the estate must be improved if it is to meet the demands that will be placed upon it by the Government’s policy agendas.

95. The Government is clear that improving and expanding Youth Services

should be a priority for all authorities. Investment by local authorities will modernise the estate, resulting in facilities that will attract more young people and provide an environment conducive to their development.

96. The DfES is making funding available to local authorities each year between 2003-04 and 2005-06 to support them in meeting their legal obligations under the Special Education Needs and Disability (SEND) Act by improving access and facilities for disabled young people.

Procedures and systems

97. With Youth Services DfES has developed 4 performance measures for the Youth Service which services are currently benchmarking themselves against. A new best value performance indicator (BVPI) is also being trialled this year by ODPM, based on some of the performance measures. From January 2004 Youth services are being Inspected on a new and more frequent cycle by Ofsted.

Further Education and wider post-16 learning

98. Education below degree level for those over the age of 16 is delivered by a wide range of providers, including further education (FE) colleges, school sixth forms, private training providers, the voluntary sector, and LEAs. Many of these providers are independent of Government but receive funding from it to deliver education and training. In April 2001, the responsibility for funding and ensuring the quality of this education was transferred from the Further Education Funding Council and Training and Enterprise Councils to the Learning and Skills Council (LSC), an NDPB of the DfES. In *Success for All*, our strategy for the FE sector, published in November 2002, we recognised that a significant number of colleges have accommodation that is in need of refurbishment and replacement and we have started a major capital investment programme.

Current Asset base

99. FE colleges are spread throughout England and make use of buildings which range in age from the early part of the twentieth century to brand new. The educational estate has a book value of about £4.3 billion and an estimated replacement value of about £12 billion. The sector has improved its use of space: Since 1993 the total floor space within FE colleges has reduced from approximately 9.3 million m2 to about 7.6 million m2 now – the emphasis in light of emerging policies is on rebalancing and reshaping of provision. Over the period 1996-97 to 2003-04 the LSC, and its predecessor the Further Education Funding Council, in part supported approximately £2.6 billion of development in 938 capital projects. Three FE college mergers came into effect in August / September 2004 for the start of the 2004 academic year. Five FE college mergers are planned in 2005 and changes involving mergers are expected to continue at a similar rate to 2007/08.

100. Despite improvements, the FE estate requires significant new

investment. Participation projections for the learning and skills sector for the 2005/06 to 2007/08 period indicate that participation will continue to increase. FE will also be refocusing provision to help meet the 2010 targets and in particular higher attainment of full level 2 qualifications and additional attainments of level 3 and above qualifications in those skill priorities identified within FRESAs. Colleges need appropriate facilities to cater for the increase in learner numbers and the rebalancing and reshaping of provision rather than an expansion in floor space. This means the process of replacement, modernisation and renewal must continue. By 2005-06 on current spending plans some 40% of the FE estate will have either been replaced or refurbished since 1993. A report from the Further Education Estates Management Statistics (FEEMS) project suggests that as much as 52% of the estate is regarded by colleges as reasonably well-suited, or at least fit for purpose with scope for further improvement, while 48% is not so good. There is therefore still a significant backlog of renewal and replacement of the FE estate needed (some 3.6 million square metres).

ICT

101. There were approximately 300,000 computers in English FE colleges in 2003, compared with around 260,000 in 2001 and 160,000 in 1999. Sixty three percent of this stock meets or exceeds colleges' baseline specification - the same proportion as in 2001, though the baseline specification has improved. A further 18% of stock is better than the specification set in 1999 and would still be considered higher than baseline in many colleges. 25% of computers designated for student use are open access and the remaining 75% are situated in classrooms.

102. In 1999 there was one internet connected computer for every 21 students; the ratio currently stands at 1:4. The number of internet enabled computers for staff has increased to a ratio of 1:2 and the sector is close to a ratio of 1:1. All FE colleges have a broadband internet connection through the Joint Academic Network (JANET). Over 70% of colleges have a 100Mbps Local Area Network (LAN) and a further 20% of colleges have Gigabit LANs. 94% of computers designated for student use are networked in 83% of colleges. 42% of colleges believe their network could cope with a significant increase in traffic, compared to 24% in 1999.

103. 78% of expenditure on Information and Learning Technology for the FE sector as a whole came from college funds; 8% from the Standards Fund and 8% from the National Learning Network (NLN) . The remaining 6% came from other sources, notably the European Union and National Lottery.

UK online

104. UK online centres support the government's strategy to widen access to ICT and the Internet. In 2000, the Prime Minister announced that there would be 6,000 UK online centres, including centres in all public libraries. This was achieved in 2002 as a result of major capital investment by the DfES and the Big Lottery Fund (formerly New Opportunities Fund). UK online

centres were established to provide universal access to the internet and a broad range of services linked to ICT and learning. UK online centres are diverse in their size and type but tend to be rooted in communities, with around 2,000 centres strategically placed in the most deprived wards in England.

105. In April 2003, University for Industry (Ufi) was given responsibility by DfES for the support and development of the UK online centre network, which aims to extend access to Government e-services and encourage people to develop their skills online. Whilst Ufi is not responsible for providing funding for the ongoing sustainability of centres, it is working with DfES, LSC, Government departments and other funding bodies to promote UK online centres and attract funding to support the services they provide.

University for Industry (Ufi)

106. The development of a 'University for Industry' was a 1997 Manifesto Commitment. Ufi Charitable Trust is an independent, charitable company limited by guarantee. Ufi Limited is its trading subsidiary, which operates under the brand name *learndirect*. Ufi aims to boost the competitiveness of businesses and the employability of individuals, particularly through widening access to learning. Ufi was rolled out nationally in October 2000 and there are now over 2015 learndirect centres open, offering a wide range of ICT – based courses. The net book value of Ufi's fixed assets were valued at £12.5 million at 31 March 2003, most of which relate to ICT equipment. Its premises are leased and its call centre operations are contracted out.

Cybrarian

107. The Cybrarian Project has received £17.5 million funding from the Capital Modernisation Fund. Through innovative use of new technology the Cybrarian project aims to develop and market a search and interaction facility that will help people to overcome the barriers they face (due to physical or cognitive disability, lack of confidence, lack of skills, or lack of motivation) in using online services. The Cybrarian Project fits in with the Government's aim to make Britain a society that is inclusive: creating opportunities and removing barriers to ensure that everyone can fulfil their potential. It is also consistent with the Department's Skills Strategy, and the objectives of encouraging and enabling adults to learn, improve their skills and enrich their lives. In addition, Cybrarian will contribute to wider e-Government unit priorities such as DirectGov, and the Digital Inclusion Panel, which themselves provide cross-government benefits and shared best practice. For example, Cybraian will improve the accessibility of online services, including key transactional activities for hard-to-reach groups. Cybrarian will also underpin the PSX(E) "UK online centres: e-Government Services" project which is being jointly promoted by the Chief Secretary and the Secretary of State.

Asset disposal strategy

108. The LSC will give permission for the disposal of college capital assets only when the proceeds will be reinvested in the FE infrastructure. In practice

asset disposals form an important part of the financial packages that colleges assemble to allow redevelopment. All FE colleges now have ICT strategies in place, and the disposal of ICT assets is determined by the colleges themselves. The disposal of college playing fields is particularly contentious. The LSC's updated guidance to colleges on applying for capital project grant support states that any proposal to sell off playing fields must be based on consultation with those likely to be affected by the proposal. Colleges must demonstrate that the proposal enjoys local support or that local concerns have been given the fullest consideration.

109. New FE premises are on average about 20% more efficient than the ones that they replace in space utilisation terms. We also know that new FE premises are approximately 50% more efficient in running cost terms. On the basis that a further 50% of the FE estate is in need of replacement or refurbishment, there is clearly considerable scope to realise further efficiencies and to significantly reduce providers net running costs. We would expect providers to use efficiency savings that are realised through capital investment to enhance the quality and extent of their provision.

New investment plans

Year	2005-06	2006-07	2007-08
Investment	£408m	£483m	£603m

110. *Success for All* set out our strategy to transform FE. It recognised that there has been too little capital funding available for the sector, and the investment that has taken place has not been linked to national, regional or sub-regional priorities. To address this we announced plans to increase capital funding across the FE and training sector by over 60% in real terms to over £400 million by 2005-06, compared with 2002-03. The Department's Five Year Strategy signalled our intention to continue to upgrade facilities in further education and training with a further increase of 31% in FE capital funding between 2004-05 and 2007-08.

111. We will also bring local decision making and allocations for 16-19 capital provision into alignment. Working with the Department and other partners the LSC will establish a single capital budget for new 16-19 provision across schools and FE. The joint 16-19 capital budget is being developed in response to stakeholder demand. Bringing 16-19 capital together should remove the obstacles that different priorities and timetables for the existing schools and LSC budgets present, including implementation of the outcomes of area inspections and Strategic Area Reviews (StARs). It will also remove the risk that decisions about what type of new provision is made are distorted by the existence of different capital funding sources. The detailed arrangements for the budget are being worked up by DfES and the LSC. Funding for the budget will be drawn from schools and LSC capital resources

for 16-19 provision. Because of commitments and allocations made up to 2005-06, funding from the joint budget will be available from 2006-07.

112. The joint budget will be administered by the LSC, consistent with its wider post-16 remit, and its responsibility for the strategy for post-16 development, including school sixth forms, and its implementation. The joint budget will cover new 16-19 school or college places arising from: increased participation; area wide reorganisation to raise standards and/or promote choice; proposals for high performing 11-16 specialist schools to add a sixth form in areas where there is little choice of high quality sixth form provision.

113. In April 2003 all local Learning and Skills Councils (LSCs) started strategic area reviews (StARs) of post-16 LSC-funded provision. These reviews aim to achieve the right mix of provision in an area to improve participation, raise attainment and improve learner choice. StARs will ensure that there is the breadth of opportunity and quality of provision to meet the needs of learners, employers and communities.

114. A recent evaluation indicated that over three fifths of providers who responded to the study agreed that StARs were a good idea[11]. In addition, research indicates that a range of benefits, including improvements to the quality and range of the curriculum offered, to the management of the merged organisation, and very significant improvements to the average financial health of merged colleges, could be achieved through the rationalisation of the FE estate[12]. To raise standards we need to ensure that every FE College plays to its strengths in the learning it delivers. This may mean restructuring, with some areas requiring new institutions, or increased specialisation.

115. When considering strategic options in the context of creating a coherent 14-19 phase of learning, local LSCs and stakeholders will need to draw on the principles underpinning the organisation of 16-19 provision. These principles cover the importance of high **quality**, that there should be **distinct 16-19 provision**, **diversity to ensure curriculum breadth**, **learner choice** and a proper focus on **value for money**. Close engagement of all key partners and stakeholders will be essential to develop viable proposals. The majority of local LSCs have now completed the information gathering and analysis stage of the review and are now considering possible strategic options. Full consultations with local stakeholders are taking place and by Spring 2005 most local LSCs will have completed the reviews and published resulting outcomes.

116. We will continue to facilitate specialisation in the FE estate. CoVEs are a key driver in enhancing FE's contribution to meeting employers' skills needs. They will continue to focus on enhancing the employability of new entrants, on developing the skills of those already in work and on enhancing the employment prospects of those seeking work (including self-employment). They are already reversing the decline in Level 3 provision and driving up

[11] York Consulting, *Evaluation of Post 16 Learning Arrangements*, February 2004
[12] Learning and Skills Development Agency, internal report (2001), Capital Projects in Further Education: *the Education Impact*

standards of provision at this level. We are strengthening the focus of the CoVE network to meet regional and sub-regional skills needs. The LSC are working with key partners to ensure that CoVEs offer the appropriate specialisation for their area. We expect to establish 400 CoVEs by March 2006 and we will continue to build on the success of CoVEs through the development of FE Academies, specialising in particular industry sectors which will be developed in close collaboration with industry sponsors.

117. We will also continue to modernise the FE estate. The 2002 Spending Review settlement allowed us to make a start in addressing the legacy of many years of under-funding. However, there is much to do if we are to secure up-to-date facilities that attract students and employers. We aim to continue this work during the 2004 Spending Review period. Expenditure will be based on independent college and area inspections. The outcome will be modernised capital stock in colleges, particularly in vocational provision at Levels 2 and 3, with new and rebuilt institutions which include specialist colleges for the first time. The LSC will work with colleges and building designers to create innovative learning environments fit for education and training in the 21st Century.

Disabled Access

118. Colleges and other providers are required to ensure individuals with disabilities can access college facilities. The Department is supporting the Learning and Skills Council (LSC) in its work to help ensure that providers meet their new duties towards disabled learners. We allocated £100 million in additional funding to the LSC during 2002-04 to help improve disabled access to providers' premises. From 2006 providers will be in breach of statutes if they have not made necessary adjustments. We expect the capital funds that we are making available to the LSC over the 2005-06 to 2007-08 period to deliver the resources that will allow all colleges and other providers to have made the necessary changes by 2005-06. Continuing investment by the LSC will be used to address both any remaining compliance issues and to continue to encourage colleges to adopt best practice rather than the minimum necessary standards to meet statutory requirements.

ICT

119. Investment to date has made a significant impact in the use of ICT in colleges for both teaching and learning and in communication, administration and record keeping. The use of technology and the internet is also high amongst learners and investment proposals up to 2006/07 will enable colleges to respond more effectively to this increasing demand.

120. Arrangements for developing and improving the use of technology for teaching and learning will continue to be extended beyond FE colleges to 6th Form Colleges; Specialist Colleges; Adult and Community Learning (ACL) and Work Based Learning providers.

121. Proposals for the post 16 learning and skills sector include: improving

broadband connection speeds; improving regional hardware and network support services; developing tools for local creation and adaptation of learning content by teachers and practitioners and a staff development programme to help practitioners and learners realise the full potential of ICT.

122. NLN Online will provide advice and guidance for practitioners on tools, materials and best practice; provide an online repository of materials for the post 16 sector and enable practitioners to search, retrieve and share teaching and learning content across sectors. As part of the NLN programme, broadband connectivity through the JANET network is being extended to Adult and Community Learning providers and materials developed through the NLN will be available on CD Rom. This will enable learners and teachers to take advantage of the potential of ICT in a community setting.

123. The DfES Unified E-Learning Strategy, due to be published in autumn 2004, provides the overall context for the NLN programme. The strategy aims to embed e-learning across the education and skills sector.

124. It provides the framework within which the Department and partners will work to integrate effective use of e-learning to improve the experience of learning and support the reforms set out in the Department's 5 Year Strategy.

Procedures and Systems

125. The LSC administers the capital programme for this sector on behalf of the DfES and uses both formula and bid mechanisms to allocate capital to the institutions it funds. FE colleges also finance capital projects by investing surpluses, the sale of land and buildings, and through commercial borrowing. The DfES monitors LSC expenditure against its budget allocation across all of its programme lines.

126. All FE institutions have to prepare and present an accommodation strategy to demonstrate how their property improvement proposals meet LSC and Government policy objectives. Revised draft guidance on college property strategies, taking account of changed requirements demanded by the SEND Act, was issued in July 2002.

127. College bids are based on best estimates, drawing on data provided by the LSC and Learning and Skills Development Agency. Capital projects are supported with grant support, the amount of which is based on the affordability of the capital project to the provider and which during 2003-04 continued to average just under 35% of the eligible project costs.

128. The LSC is now developing a new approach to its infrastructure investment decisions, which reflects national and regional priorities and will enable a strategic plan to regenerate the entire estate over the long term. Project decisions are subject to local LSC area reviews and Area Inspection findings. Each project has to demonstrate that it is providing for realistic and appropriate growth, is within the affordability limits of the college, and that it will improve specific educational resources and the quality of buildings. The LSC will not approve projects that are poor value for money (outside

reasonable cost limits), or which do not contribute towards improving the effective use of floor space.

129. Work is underway to ensure that colleges have access to better and more standardised data on which to assess their accommodation needs, and on which to base their accommodation strategies. The LSC will roll-out the successful Further Education Estate Management Statistics (FEEMS) project, with approximately one third of the sector (including Scotland and Wales) covered by 2004-05. This will allow effective benchmarking and will lead to the improved management of the estate.

130. *Success for All*, outlines our aim of establishing a new planning, funding and accountability system for the FE sector. Local LSCs will be given three-year revenue funding with flexibility to move money between years.

Adult and community learning

131. Since April 2001, the LSC has had responsibility for the funding of adult and community learning (ACL), including provision in adult education colleges and specialist colleges. From 2003, planning and spending on capital in ACL has been articulated as part of a broader, more coherent, approach to post-16 capital spending. The ACL capital investment strategy directly supports the Government's objectives to widen adult participation in learning, increase attainment and tackle social exclusion. It also contributes to the Government's National Strategy for Neighbourhood Renewal to increase the number of learners from deprived communities.

Current asset base

132. LEAs currently deliver adult and community education in around 200 adult education colleges and 4-5,000 other buildings, including schools, museums, art galleries, local community centres and neighbourhood learning centres. Much provision of ACL is in premises that are unsuitable for adult learning. There are also some areas, particularly in rural locations, where access to learning is limited because there is no local centre. This is also true of neighbourhood learning, where not only is there a need to increase the number of centres, but to develop the capacity of existing ones. The LSC's wider remit offers much greater scope to make coherent decisions on local capital allocations to ensure that they are used effectively to meet national, regional and local objectives for ACL and neighbourhood learning.

New investment plans

133. During the period 2003-04 to 2005-06, £19 million per year was and will be invested through the LSC on capital projects. The strategy to date has been to improve the infrastructure, both through minor works to update/refurbish premises and equipment and major capital projects of £250,000 and over to meet local communities' changing learning needs. For 2005-06 the LSC has approved the total use of the £19m ACL Capital Challenge Fund for major works. There are now 84 major ACL LEA projects

with a total capital value of £74.3m either completed or in build. The capital allocation by the LSC to these projects has been £52.9 m. This investment will also be used to meet the commitment in the Government's national neighbourhood renewal strategy to ensure that there are neighbourhood learning centres in every deprived community in England, thereby allowing the number of learners in deprived communities to increase. For example, the new £2m St Paul's Neighbourhood Learning Centre in Bristol meets that objective. Finally we will continue to provide funds through the LSC (£20.4 million per year) for ACL providers to meet the provisions of the SEND Act to improve access for disabled people. In 2003-04 the LSC provided funds of £20.4m for local authority bids for specific lists of works to improve DDA/SENDA access in local authority premises mainly used for ACL.

Procedures and systems

134. The LSC has built up a picture of general building ownership, usage and condition in the ACL sector. This will inform allocation policy in the period 2003-04 to 2005-06. Allocations will be made by local LSCs against the background of a thorough assessment of learning provision in their area. The LSC will take a view of how provision fits together, identifying gaps and overlaps. ACL provision is subject to inspections by the Adult Learning Inspectorate on a four-year cycle.

ICT

135. Management arrangements for the National Learning Networks are under review, with a new management structure established in January 2005. The new structure, under the governance of a joint LSC/DfES Policy Board, will enable more decisions about implementation of e-learning to be taken by those closest to delivery of learning, and aims to ensure that national management arrangements are as free from bureaucracy as possible.

Objective 5

Raise and widen participation in higher education

Higher Education

136. Although higher education (HE) institutions receive Government funding, they are independent private bodies. As such, in addition to capital sums provided by the DfES, they are expected to service future capital requirements through their reserves and surpluses, the proceeds of asset disposal, commercial borrowing and private finance. They are also expected to plan and maintain their own capital stock. Some earmarked funds are provided jointly with other Government Departments via HEFCE for research facilities, and by the Department for learning and teaching and IT capital. Capital support is also provided for strategic nationally-shared infrastructure, such as improvements to the Joint Academic Network (JANET).

Current asset base

137. Research for the 2002 Spending Review calculated that the value of the English HE infrastructure was some £27.5 billion, of which £9.3 billion (34%) relates to research. The timing of HE expansion in the 1960s has created a legacy of poor quality buildings which are reaching the end of their design life. This coupled with past under-investment in the estate and research infrastructure in the HE sector has created a substantial backlog that is now being addressed.

138. Following the passage of the Special Educational Needs and Disability Act, 2001 (now part IV of the Disability Discrimination Act, 1995) HEFCE allocated a total of £56 million in 2001 and £117 million in 2003 from the Project Capital allocations in order to improve access for disabled students

139. Since 1998, £291 million has been allocated to address poor HE estate inheritances, including the £41 million earmarked in the 2000 Spending Review. In addition, capital funding provided in the 2002 spending review has allowed HEFCE to allocate £845 million in research capital and a further £494 million in learning and teaching and IT capital, specifically to address past under-investment. However, despite recent improvements in the HE estate, such is the legacy of under-investment in the sector that only 68% can be considered suitable for current purposes in terms of design and functional suitability[13]. Some 33% of estates is still measured under the Royal Institution of Chartered Surveyors criteria as falling into one of the following categories "operational but in need of major repair or replacement soon", or "inoperable and at serious risk of failure or breakdown."[14]

140. In the 1998 and 2000 Spending Reviews, the Government recognised the need to invest in the HE research infrastructure and, in partnership with the Wellcome Trust, launched the Joint Infrastructure Fund and the Science Research Investment Fund to provide £1.75 billion for investment in research infrastructure.

141. Funding provided to HEFCE between 1999-2000 and 2001-02, along with contributions from the other higher education funding councils, provided £50 million for the procurement of SuperJANET 4, a world-class network which ensures that the UK keeps pace with network provision for both research and teaching.

[13] HEFCE Estate Management Statistics data, 2002/03.

[14] Condition categories as defined in the Royal Institution of Chartered Surveyors Building Maintenance Information Service.

New investment plans (£650m/£704m/£738m)

Year	2005-06	2006-07	2007-08
Investment	£650m	£704m	£738m

142. The Government remains committed to supporting research excellence. In order to sustain and improve on our world class position, funding on science across DfES and DTI will be £1bn higher in 2007-08 than in 2004-05. The Government will continue with a policy of selective funding to back the best research, wherever it is located.

143. In SR 2002 the Government continued investment in universities research infrastructure by increasing and extending the DfES contribution to the joint DfES/DTI Science Research Investment programme (SRIF) to £200m a year through 2004-2006. At the same time it reduced the contribution required from institutions from 25% to 10%. All institutions which are in receipt of research funding from HEFCE and external sources benefit from SRIF.

144. A small scale review by consultants in 2004 reported that the certainty of continued funding through SRIF had an impact over and above enabling HE institutions to address the backlog in research infrastructure. There was an impact on the whole longer term estates management strategy which benefited the whole institution.

145. In SR 2004, the Department has received an increase in capital funding for university research. As outlined in the Science and Innovation Investment Framework, the Department's SR2004 settlement included an additional capital allocation of £29m and £59m in 2006-07 and 2007-08 for research, to incorporate another round of SRIF of £200m each year in 2006-08.It signalled its commitment to long term investment to ensure the sustainability of the research base. The Department will discuss with HEFCE ways of encouraging greater institutional collaboration through capital support.

146. In terms of the capital funding to be provided over 2006-08, the programmes for learning and teaching, research and infrastructure are being developed, but are likely to be designed so that the funds:

a. Contribute to the long-term financial sustainability of an HE institution's physical learning and teaching, research and supporting infrastructure and its activities;

b. Contribute to addressing past under-investment in an HE institution's physical learning and teaching, research and supporting infrastructure;

c. Promote collaborative partnerships between HE institutions and industry; and

d. Promote high quality learning and teaching and research capability in areas of national strategic priority.

147. In relation to the Efficiency Review, some efficiency savings will be generated by the certainty of continued funding and by the proposal that the allocations for SRIF3 and Project Capital 4 should be handled electronically.

PPP/PFI

148. The DfES and HEFCE expect HE institutions to consider PPP/PFI as a procurement option that may represent better value for money. PFI in the HE sector has so far been limited to projects that institutions regard as non-core, such as student accommodation and conference facilities, where established markets now exist. PFI credits are not available for this sector. HE institutions are also able to raise their own finance, so PFI is used less extensively than in the schools sector. There are 13 existing PFI projects with a total capital value of £290 million, and three prospective projects with a capital value of £88 million.

Asset disposal strategy

149. HE institutions have an incentive to dispose of surplus assets economically and effectively, as they can retain the proceeds from their sale and the consequent savings. The Financial Memorandum between HEFCE and each HE institution allows institutions to dispose of any asset purchased wholly or partly from Government funds, provided there is reinvestment of the proceeds of the sale into higher education within three years. These conditions do not apply to assets acquired with private funds.

Procedures and systems

150. The DfES does not fund HE institutions directly. It funds the Higher Education Funding Council for England (HEFCE) and the Teacher Training Agency (TTA), which disburse funds to the institutions. The financial relationship between HE institutions, HEFCE, the TTA and the DfES is determined by statute and reinforced by more detailed financial memoranda and the DfES' annual grant letters to HEFCE and the TTA.

151. HEFCE works with HE institutions to secure value for money in capital projects, whilst at the same time respecting their autonomy. Each HE institution has an estates strategy, which links to the objectives of its corporate plan as part of their mission statement and academic plan. HEFCE reviews each HE institution's rolling corporate plan as part of its interaction with HE institutions.

152. HEFCE also evaluates capital proposals against the framework set for those capital programmes. New capital programmes require HE institutions to submit proposals to HEFCE, which identify how the funds will address the HE institution's academic objectives. The capital programmes are evaluated to assess the benefits that have been delivered through the provision of the capital funding.

153. The accountability arrangements for HEFCE follow the model for all executive NDPBs. Procedures for capital investment are controlled through the financial regulations and audit arrangements at individual institutions. These are supplemented by reviews carried out by HEFCE. It is a condition of funding from HEFCE that HE institutions are expected to follow the investment appraisal guidance published by HEFCE and procurement follows best practice, as published by Proc-HE. Each capital project funding through SRIF or Project Capital requires an audit certificate or a project completion statement as evidence of spend and delivery. Where these are not provided HEFCE would consider recovery of funding. HEFCE is leading discussions with Government and the HE institutions to develop a longer term approach to capital funding that could be implemented from April 2008.

Department for Education and Skills

ADMINISTRATIVE CAPITAL

154. Our investment in DFES's own estate contributes to the efficient operation of the Department and supports all of its objectives. It provides a physical environment and ICT infrastructure that enhances individuals' performance and encourages flexible and effective ways of working. We aim to be an exemplar to other employers, particularly in our use of technology. We are constantly seeking to improve the use of our assets, in line with the Supporting Better Delivery programme and Beacon status.

Current asset base

155. The DFES's administrative assets have a value of £84.9m.

156. The estate is worth £66.5m and this includes 8 core properties, furniture, office machinery and vehicles. The significant increase in property value since the last Departmental Investment Strategy is due to the acquisition of the National College for School Leadership (NCSL) property which accounts for approximately 50% of the property asset net book value. Our utilisation of the estate meets the benchmark space allocation of 15m² per member of staff. There are no maintenance backlogs on any of these assets.

157. As the Department reduces its staff levels by 1,460 posts by 2008, pressure on the Departmental estate will reduce, particularly in London. However, none of the Department's remaining sites are expected to shrink to a level where they are unsustainable, and estates strategy for at least the medium term will be to continue to hold assets at current levels (following the sale of East Lane House in Runcorn in 2003) between now and 2010 since capitalisation from sale of assets would be at less than market value, and asset running costs are low. We are in discussions with OGDs and NDPBs to

maximise the efficient use of available accommodation.

158. The investment requirements for the estate have been informed by an extensive property condition survey which has identified enhancements and maintenance required. Only enhancements fall into the capital category so the majority of capital expenditure on the DFES estate will be focused on the replacement of office machinery, furniture, fixtures & fittings, and vehicles. The ongoing Departmental capital investment requirements have led to well developed procedures and controls which ensure that funds are correctly allocated, contracts are properly negotiated and all expenditure is properly paid and brought to account.

159. The Department's ICT assets have a net book value of £18.4m, not including intangible assets (e.g. software licenses), and consist of desktop facilities, equipment and cabling associated with the ICT network, and videoconferencing equipment. We currently have around 6,000PC's, 2,700 portable PC's, 1,700 printers, and 681 Servers. The assets are spread across the Department's main sites in London, Runcorn, Sheffield, and Darlington.

New investment plans

160. Our current level of investment in ICT (£7 million a year) allows us to maintain the capabilities of the infrastructure and systems. A major part of our capital expenditure is the cyclical replacement of existing equipment as it becomes obsolete. The investment estimates are based on a replacement cycle of around three years for our bulk equipment, such as PC's and servers, and take into account the asset lives of existing software systems. There is also a need to ensure that assets support new functions and software, and the modernisation of the Department.

Asset disposal strategy

161. When space is identified as surplus, we aim to dispose of it for the full market value, and if this is unsuccessful, to sub-let it at the current market rate. Smaller non-ICT assets are replaced in line with departmental investment strategies and replacement cycles, and with due consideration of the environmental impact, departmental accounting procedures and health and safety legislation.

162. Each DfES site disposes of ICT assets when volumes are sufficient, in conjunction with the rolling replacement programme for PCs. Obsolete ICT equipment (PCs, servers, laptops) is given to a third party supplier who refurbishes and offers it to schools and other establishments at minimal costs. The Department generates a small amount in receipts for this. All assets are fully depreciated at the time of their disposal.

Procedures and systems

163. The provision of accommodation, furniture and other non-ICT office equipment is informed by our estates strategy and asset replacement cycle, including the property condition survey which was completed during

October/November 2003. The move to full RAB has also resulted in a review of asset management procedures and the entries in the National Asset Register. This will influence future calculations for Cost of Capital and Depreciation

164. ICT assets are managed through a comprehensive asset database system, with procedures regularly reviewed. All major projects are controlled under the auspices of individual project boards, using PRINCE methodology. Evaluation criteria are determined at the outset of a project, reviews take place on completion, and lessons learned are disseminated. All ICT spending is planned through our IS Strategy, and monitored through our Business Plan agreed with the Departmental Reform Board.

Non-departmental public bodies

165. The DfES has 14 executive non-departmental public bodies (NDPBs)[15]. Each has its own Accounting Officer, who is responsible to Parliament for the funds received. NDPBs also employ their own staff and hold their own budgets. The majority are financed through grant-in-aid, with two partly financed through charges and fees[16], two funded through the levies they raise[17] and one is funded in partnership with PUK[18]. The Department's policy objectives are set out in each NDPB's annual remit letter.

166. Most NDPBs hold few capital assets and the value of those they do hold is small. Their assets mainly relate to ICT equipment, as they tend to operate from leased premises and own few or no vehicles. The largest of the Department's NDPBs are the LSC and HEFCE. The LSC was established in 2000, had Programme expenditure of some £7.4 billion (revenue and capital) in 2002-03. It is responsible for 6 million learners. Its national office is leased, as are its 47 local offices. Its assets relate mainly to ICT for its 4,800 staff. HEFCE was established in 1992 and in 2002-03 it distributed in excess of £5.2 billion to 130 universities and colleges (including revenue and capital). It holds very few capital assets, since its premises are leased and it owns no vehicles. Its assets relate mainly to ICT equipment for its 280 staff.

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[15] These are: the Adult Learning Inspectorate, the British Educational Communications and Technology Agency, the Children and Families Court Advisory and Support Service, the Construction Industry Training Board, the Engineering Construction Industry Training Board, the Higher Education Funding Council for England, Investors in People UK Ltd, the Learning and Skills Council, the National College for School Leadership, Partnership for Schools, the Qualifications and Curriculum Authority, the Sector Skills Development Agency, the Student Loans Company and the Teacher Training Agency.

[16] The Student Loans Company and Investors in People UK Ltd

[17] The Construction Industry Training Board and Engineering Construction Industry Training Board. As a result, these two NDPBs do not feature on the DfES' balance sheet.

[18] Partnership for Schools.