



Response to the Education Capital Review

A regional and local collaboration approach to the delivery of the recommendations

Executive summary

Over the last four years, a network of regional construction procurement networks has developed which are self funding, and have mature public sector governance. The National Improvement and Efficiency Partnership for the Built Environment, under the Chair of Andrew Smith (Chief Executive of Hampshire County Council) acts as a body to ensure these networks act together to share best practice and to continuously improve.

This report sets out at high level how these arrangements can be used to implement much of the recommendations in the Education Capital Review with little or no investment, or organisational design by making use of the NIEP as the “central body” emerging as part of the report recommendations. This report also shows how the recommendations for standardisation can be taken to another level, delivering across programmes of work to deliver proven efficiency benefits.

The Capital and Assets agenda is well understood by the NIEP and the regions, and public authorities are already looking to include education in local capital investment planning as part of a wider review of local assets. The NIEP is well placed to lead this key initiative and ensure that education assets do not become isolated.

Introduction

The current economic climate, and the reduction in available capital has forced all public authorities to look at reducing the cost of the delivery of capital projects, and maintenance of their estate. The “Review of Education Capital”, led by Sebastian James on behalf of the DfE has identified a number of possible efficiency measures around standardised procurement, design and delivery. What is now apparent to many authorities, is that it is no longer viable or affordable to try to stand alone, and there are major opportunities offered by working collaboratively with other authorities through aggregation of effort, resource and spend. This approach also offers a less fractured front to the private sector, presenting similar opportunities to them also. The last few years has seen many examples of authorities either working together, or using regionally established procurement arrangements with some notable benefits.



What has been achieved regionally

Funded by iESE, Hampshire County Council has established closely managed construction and consultancy frameworks in the South East and London for use by any public authority. These frameworks have been accessed by over 50 authorities over the last 4 years, and are delivering approaching £2bn of projects. These projects range from £10,000 refurbishments to multi million pound new build developments.

Around £77m efficiency savings have been achieved to date on all of the regional and local frameworks. This has been achieved through a combination of procurement savings, aggregation of costs over many projects, and cost avoidance through early contractor involvement, and represents around 6% saving based on current £1.25bn work analysed to date.

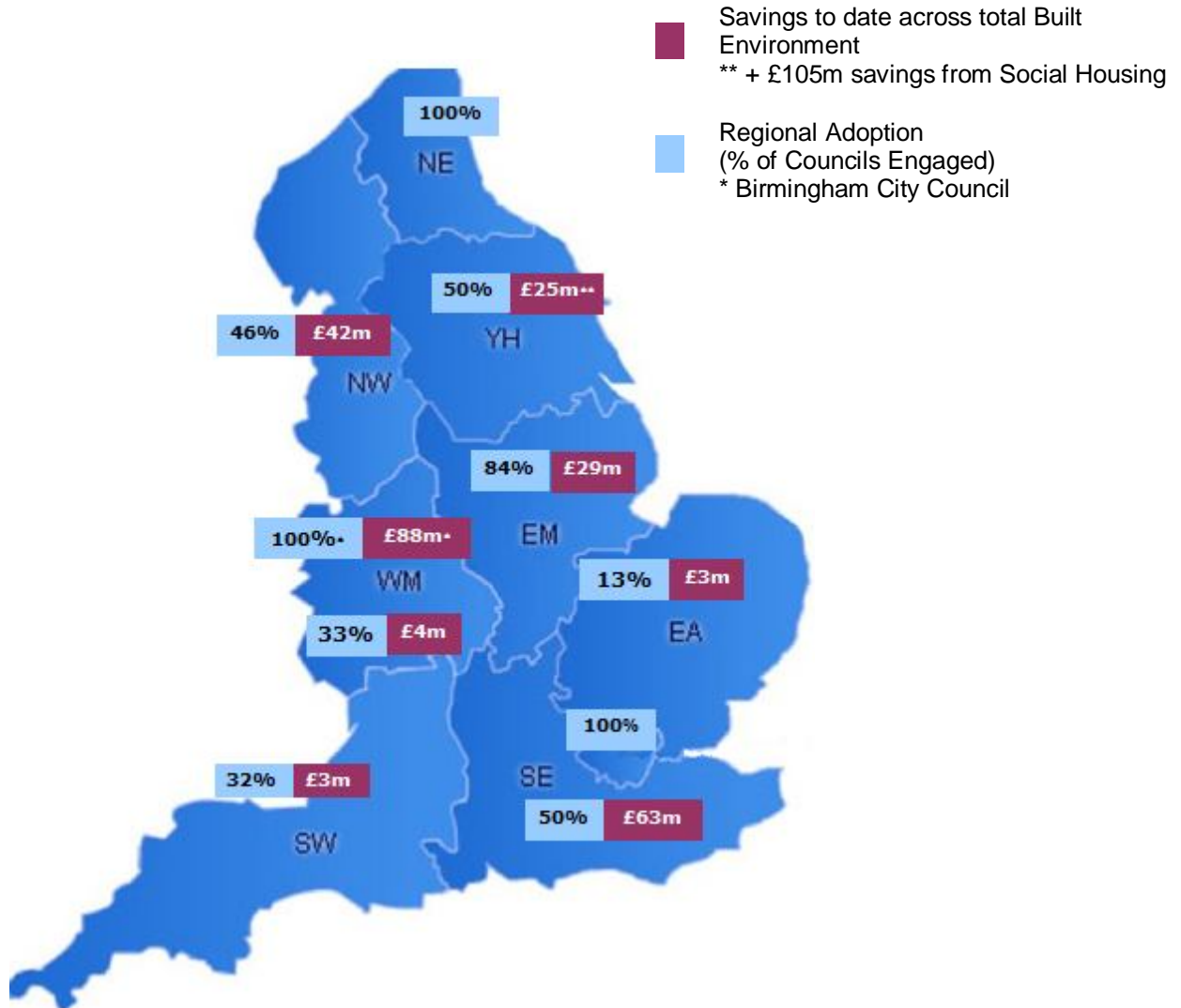
The average framework project is now completed within 1.5% of the expected budget and within 2% of the expected time – far exceeding the performance of comparative projects tendered using traditional lowest price procurement. According to the OGC, this represents a 7% saving on capital costs. Moreover, the local frameworks are demonstrating savings of between 7% and 9% on capital costs.

In addition to the financial benefits of the frameworks, the framework contractors, consultants and management team have worked together to also show:

- 77% of the contractors working on iESE projects are from within 30 miles of the project location
- 84% iESE construction waste is diverted from landfill
- 62 extra apprenticeships created through the iESE framework projects

What has been achieved nationally

With support and funding from CLG, the nine Improvement and Efficiency regions have formed a National Improvement and Efficiency Partnership for the Built Environment. Chaired by the Chief Executive of Hampshire County Council, this group has driven forward the work started in the regions to deploy collaborative construction frameworks across England. Managed arrangements now exist in most of the regions, and the whole country will have coverage in 2012. The map below shows the successful take up of these frameworks on a purely discretionary basis:



The NIEP has produced a number of document demonstrating the success of this national collaboration, and the link below is to a document highlighting these:

<http://www.niepbuiltenvironment.org.uk/documents/NIEPTheBenefits09022011FINAL2.pdf>

Programmes versus one off procurement

A core part of HCC, iESE and NIEP thinking in submissions to the James Review of Education Capital, is around the need to form programmes of work to drive out efficiencies in projects right from inception. Indeed, our work with CLG has identified a rising scale of opportunity based on the timing and level of combining projects into programmes:

- Construction procurement – buying several projects at once through frameworks or specific procurement activity
- Common Specification – using the same products across a number of projects
- Strategic commissioning – dealing with all the projects as a whole from inception to completion

The table below shows the possible savings that each of these can achieve

	Intervention type A	Intervention type B	Intervention type C
Level of collaboration	Construction procurement	Multi project specification	Strategic programme and commissioning
Evidence	Framework procurement	HCC Nursing Care Programme	Framework single authority programmes and NIEP Report
Possible benefits	5%	+10%	+5 to 10%
Total Benefit		15%	20 to 25%



OPPORTUNITY

These figures are not theoretical, there is firm evidence for them as shown in the case studies below:

Intervention type B evidence

Hampshire County Council Nursing Care Programme

Cost savings of 10% were realised across a programme of 10 new Nursing Care Homes in Hampshire worth £60 million utilising common design, procurement and supply chain strategy methodology. Independent benchmarking confirmed a net cost saving of £150/m²

Value engineering across the whole programme, utilising the learning through the programme of works. Value opportunities were realised through:

- Risk analysis and mitigation
- More efficient use of floor plan to deliver the brief
- Specification and procurement review
- Re-planning of the buildings to eliminate unnecessary external works
- More efficient construction methodology
- Early involvement of contractors and key supply chains.
- Discount on scale of work awarded

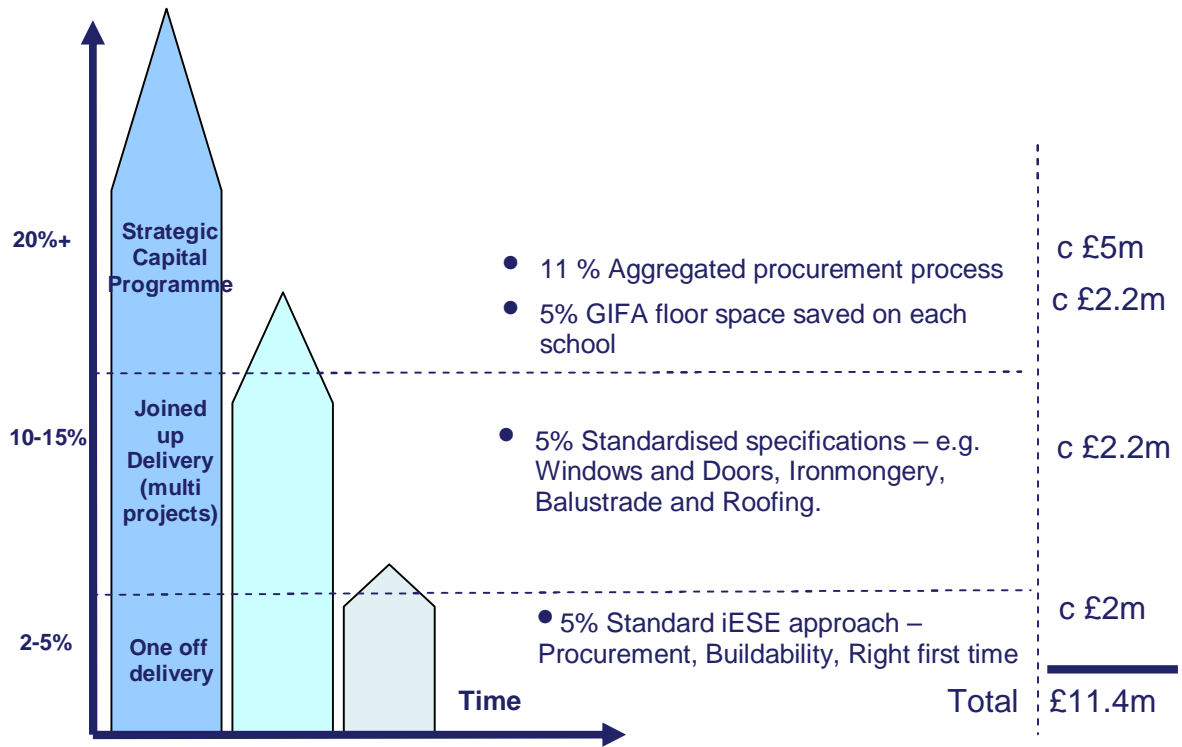
Secondary school case study evidence

Nine local authorities used the iESE regional construction framework to deliver their BSF one school pathfinder projects. iESE facilitated a collaborative approach to the delivery supply chain for the projects, thus forming a programme of work, albeit after much of the early planning work had been completed. Nonetheless, the overall programme valued at £261m at planning stage when the contractors were appointed has been delivered for £251m, and has thus given back a real saving of £10m. This has convinced us of the possibilities of forming programmes of work much earlier in the development cycle, and we have been able to show this through the contractors working on a programme of primary schools for a London Borough, as below:

Intervention type C evidence

Primary school case study evidence

Two contractors were appointed to work with a London Borough to deliver their programme of nine primary schools. The healthy competition between the contractors to perform “better”, and the collaborative ethos of partnership working between all parties has led to massive savings of 26% on the £43m programme. This has been achieved through the benefits of the framework procurement savings, a standardised approach to design, and most importantly, a strategic programme approach to the development and procurement of the projects together, as demonstrated below:



How can the success of the NIEP be harnessed to benefit education capital?

There is a large amount of intellectual capital invested in the above, and a large network of local government support for public authorities. There is an appetite to make best use of this learning, resource and ability to deliver the outcomes of the Sebastian James review of Education Capital.

The section below reviews the recommendations of the “Review of Education Capital” report, and makes some suggestions on how the NIEP can support them. The suggestions are necessarily high level, but could easily be developed as detailed plans.

Links to specific questions contained in the DfE Consultation Response Form are given in the responses below.

Recommendations: Local Investment Planning

- 1 Capital investment and apportionment should be based on objective facts and use clear, consistently-applied criteria. Allocation should focus on the need for high-quality school places and the condition of facilities.
- 2 Demand-led programmes, such as Free Schools, are most sensibly funded from the centre and a centrally retained budget should be set aside for them.
- 3 The Department should avoid multiple funding streams for investment that can and should be planned locally, and instead apportion the available capital as a single, flexible budget for each local area, with a mandate to include ministerial priorities in determining allocations.
- 4 Notional budgets should be apportioned to Local Authority areas, empowering them fully to decide how best to reconcile national and local policy priorities in their own local contexts. A specific local process, involving all Responsible Bodies, and hosted by the Local Authority, should then prioritise how this notional budget should be used.
- 5 The local prioritisation decisions should be captured in a short local investment plan. There should be light-touch central appraisal of all local plans before an allocated plan of work is developed so that themes can be identified on a national level and scale-benefits achieved. This must also allow for representations where parties believe the process has not assigned priorities fairly.



NIEP response

Includes response to Questions 3,4,5,7,8 and 9 of Consultation Response Form

There is much to commend the DFE decision to remove hypothecation in the allocation of capital funds to local authorities in 2011/12. To maximise the advantages of aggregating funding at local level in this way it is vital there is certainty around future funding. Such certainty will allow good planning of investment, the aggregation of procurement and a fair prioritisation of local priorities.

The NIEP supports the opportunity for local authorities to host the panel of Responsible Bodies to ensure a fair and transparent allocation of capital. The emergence of clusters of authorities working in collaboration should be encouraged to make best use of resources, and to develop consistent approaches to condition appraisal.

The Capital and Assets pathfinders have shown that major efficiencies can be achieved by considering how assets are used across a number of public authorities, and schools need to be part of this initiative to make best use of public buildings and open spaces. The pathfinders have shown that with clear local leadership, demonstrable benefits can be achieved. Hampshire County Council is leading one of the key pathfinder projects, and is well placed to advise the NIEP and other authorities in this field.

Local clusters of authorities can consider the schools condition and need as part of a wider review of local capital. The NIEP would welcome any process that helps authorities to make best use of its own capital and asset resources in conjunction with education capital for the benefit of the local area. The process needs to be simple, transparent and as least bureaucratic as possible to ensure the swift use of the available resource, without the need for complex bidding procedures that would hinder the use of multiple funding streams.

The relationships established with the private sector through the regional frameworks can realise benefits through looking strategically at a pipeline of future work. The contractors and consultants can plan resource, procurement and supply chains to maximise efficiencies, and authorities can put the effort into a longer term view of its estate. If a streamlined and delegated funding process can be designed in parallel with these partnerships, collaborative clusters of authorities can start to plan together.

What the NIEP can do is to provide a local authority focal point for local authorities to seek out best practice, guidance and critical friend assistance. Local authorities can continue to manage local stakeholders, prioritise need, and deliver local products and services.

Recommendations: Maintenance Strategies including condition data and use of DfC

- 6 Individual institutions should be allocated an amount of capital to support delivery of small capital works and ICT provision. Wherever possible, this should be aggregated up to Responsible Bodies according to the number of individual institutions they represent, for the Responsible Body then to use for appropriate maintenance across its estate, working in partnership with the institutions.
- 7 The Department ensures there is access to clear guidance on legal responsibilities in relation to maintenance of buildings, and on how revenue funding can be used for facility maintenance.
- 8 That the Department:
 - o gathers all local condition data that currently exists, and implements a central condition database to manage this information.
 - o carries out independent building condition surveys on a rolling 20% sample of the estate each year to provide a credible picture of investment needs, repeating this to develop a full picture of the estate's condition in five years and thereafter.
- 15 The Department quickly takes steps to maximise the value for money delivered through maintenance and small projects and puts in place a simple and clear national contract to make this happen.

NIEP response

Includes response to Questions 1, 2, 7, 8 and 9 of Consultation Response Form

The NIEP is ideally placed to identify best practice maintenance arrangements across the country, and to make this available as guidance or advice to schools and academies. Many of the NIEP regions have established arrangements for minor works and / or maintenance, and these will be expanded in the near future. Furthermore, many local authorities in the regions already have a variety of arrangements in place to deliver effective maintenance. These existing arrangements include the aggregation of revenue and capital funding streams across large numbers of educational providers (local authority, Academy and Aided) to deliver highly effective and locally accountable facilities maintenance.

The NIEP can collate these and ensure the adoption of best practice rather than blanket replacement of arrangements which may well be delivering very efficiently. A significant

challenge in collecting and using condition data is the ultimate reliance on local judgments and interpretation. To develop a credible picture of investment needs the data collection needs to factor in the age and risk profile of the estate and its regional variations whilst setting target benchmarks for cyclical maintenance activity. The NIEP is uniquely placed to coordinate this activity.

The NIEP is a unique body for the sharing of data for building condition, energy use and building performance to make sure that wherever possible, best practice is adopted, whilst allowing it to be delivered locally.

Recommendations: Standardised Designs including building and premises regulations

- 9 That the Department revises its school premises regulations and guidance to remove unnecessary burdens and ensure that a single, clear set of regulations apply to all schools. The Department should also seek to further reduce the bureaucracy and prescription surrounding BREEAM assessments
- 10 There should be a clear, consistent Departmental position on what fit-for-purpose facilities entail. A suite of drawings and specifications should be developed that can easily be applied across a wide range of educational facilities. These should be co-ordinated centrally to deliver best value.
- 11 The standardised drawings and specifications must be continuously improved through learning from projects captured and co-ordinated centrally. Post occupancy evaluation will be a critical tool to capture this learning.

NIEP response

Includes response to Questions 6 and 10 – 16 of Consultation Response Form

This is a sensible approach that has to make use of the collaborative arrangements established in the regions. As long as individual projects are procured on a competitive basis, contractors will strive to find cheaper materials and products to maintain their margins. The NIEP has the benefit of a large pool of talent in the authorities that are actively talking to each other. It would be a simple and easy step to build up a bank of data on best performing products and components as well as the most efficient construction techniques for authorities to adopt locally, whether it is in an inner city, urban, or countryside location. Overall, the NIEP would ensure a current and up to date approach to mitigate against the risks of obsolescence, and to ensure a whole life approach to components and products.

The collaborative approach with the private sector enables the NIEP to draw on their skills and knowledge to add value and weight to the proposals, and there is a full support from the contractors and consultants to the proposals, as well as the energy and resource to help deliver.

As the NIEP consultancy arrangements become more mature, working groups that mirror the successful contractors arrangements are being formed to ensure that the consultants share best practice in the same way the contractors already do.

The Regional Improvement and Efficiency Partnerships are now largely closing, but the legacy is a series of regional construction frameworks which are self funding and have mature governance in place. For the most part, there is no investment needed, or further levels of management.

Recommendations: Central v Local and Regional Procurement

- 12 As many projects as possible currently in the BSF and Academy pipeline should be able to benefit from the Review's findings to ensure more efficient procurement of high quality buildings. This should be an early priority to identify where this could be done.
- 13 That the Central Body should put in place a small number of new national procurement contracts that will drive quality and value from the programme of building projects ahead.
- 14 That the Department uses the coming spending review period to establish a central delivery body and procurement model, whereby the pipeline of major projects – to a scale determined by the Department – is procured and managed centrally with funding retained centrally for that purpose.
- 16 That the Department revisit its 2004 Cap Gemini report and implement proposals where they are appropriate.

NIEP response

Includes response to Questions 6 and 10 – 16 of Consultation Response Form

These frameworks exist in all the regions already, and there is a body that meets to move the agenda onto a national stage. Already the NIEP has adopted core KPI's, the Governments Fair Payment Charter, and common proposals for worklessness, apprentices and training. A key focus on local SME's and labour is also proving popular with local authority members, officers and residents. The data being shared nationally on performance, predictability and cost is demonstrating clearly that these arrangements are already delivering better value than traditional forms of procurement.

The NIEP supports the move towards the programme approach, and would do much more than just procure projects, it would assist clusters of authorities to develop, and help them put in place appropriate programme teams to drive out the possible efficiencies. A visible pipeline of work would add to the credibility of the arrangements, and would provide the private sector with a business case to invest in the approach with us, adding valuable resource and intellect.

The regions are adopting approaches to the supply chain that drive out savings against aggregation of products and components. These naturally encourage standardisation whilst acknowledging the strengths and weaknesses of the supply chains in different parts of the country.

How can the NIEP deliver the National Education Capital Programme?

Includes response to Questions 6 and 10 – 16 of Consultation Response Form

The NIEP has been developing national strategies over a number of workstreams over the last two years or so, one of which is responsible for Procurement and Supply Chain. This group has spent some time mapping out the regional frameworks and highlighting the best features to be adopted in the future. This has resulted in the South East framework using key learning in the second generation framework launched in July 2011.

Recently, a group of representatives from the nine regional construction frameworks have met to look at ways we can share skills and resources, and we identified areas below for immediate consideration:

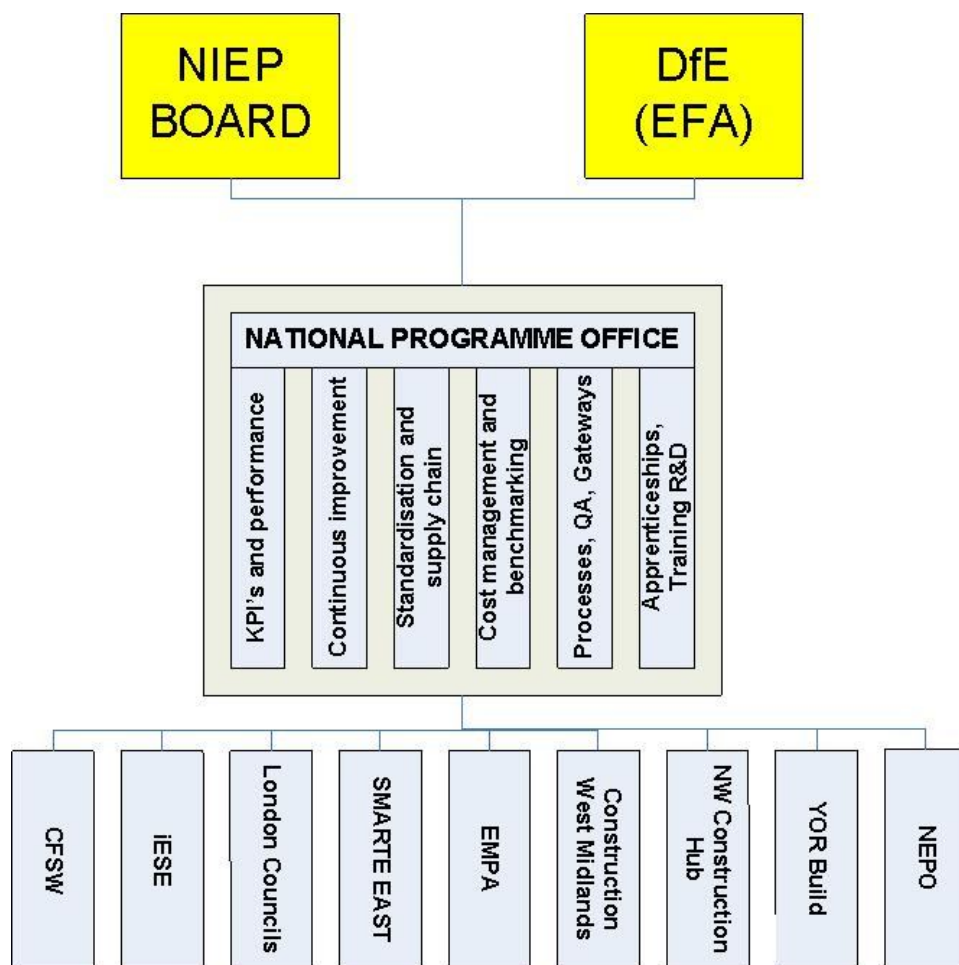
- Performance and project data and KPI's
- Continuous improvement initiatives
- Standardisation
- Cost management and benchmarking
- Processes, QA, and Gateways
- Training, research and development

Indeed, from the above, certain elements are already underway or in place for development as follows:

- National KPI data set agreed for adoption by all regions
- Shared cost management resource to develop national approach to cost benchmarking
- Sharing of information on regional approaches to standardisation with a view to establishing national approach using the best elements from the regions
- Mapping of regional resources to identify what is available

The proposal would be to formalise these activities into a National Programme Office (NPO), with appropriate leadership and resource from the regions. This NPO would report directly to

the DfE (or EFA as appropriate) and the NIEP Board, liaising to ensure the delivery of maximum efficiencies and value. The role of this NPO would be to co-ordinate the activity of the regional frameworks, ensure use of best practice and processes, quality assure the use of the frameworks, and to lead the performance improvement to higher national standards ensuring that the next generation of frameworks respond to the need of future national programmes. This could look like the drawing below:



It would be a natural development as the frameworks mature and develop into the next generation, and as national programmes emerge, to review the regional allocations, looking for synergies and further collaboration between regions. A good example of this already occurring is the close interfaces between CFSW, iESE, and London Councils.

Some high level roles are summarised as follows:

National Programme Office Leader



- Provide leadership for the regional frameworks
- Seek to implement best practice
- Set frameworks for performance improvement
- Look to establish programmes of work across clusters of authorities
- Report to NIEP Board and DfE
- Implement the outcomes of the Government Construction strategy

Performance manager

- Establish national benefits and KPI's
- Review performance and look to intervene where necessary
- Setting of targets and performance improvement plans

Continuous Improvement Manager

- Manage programmes of activity across contractors and consultants to seek performance improvements across all activities
- Publish improvement plans for framework members, managers and authorities
- Act as critical friend to framework managers and authorities

Standardisation and Supply Chain Manager

- Collate best practice from the regions
- Set in place processes and procedures for national programmes of work
- Identify best practice approaches to supply chain and commodity procurement
- Implementation of BIM strategy to support Government Construction Strategy

Cost manager

- Lead national approach to cost management
- Define approach to cost management, elemental cost capture, and recording
- Analyse data to produce national benchmarking studies, and league tables of performance
- Produce regular benefits reports for the wider community

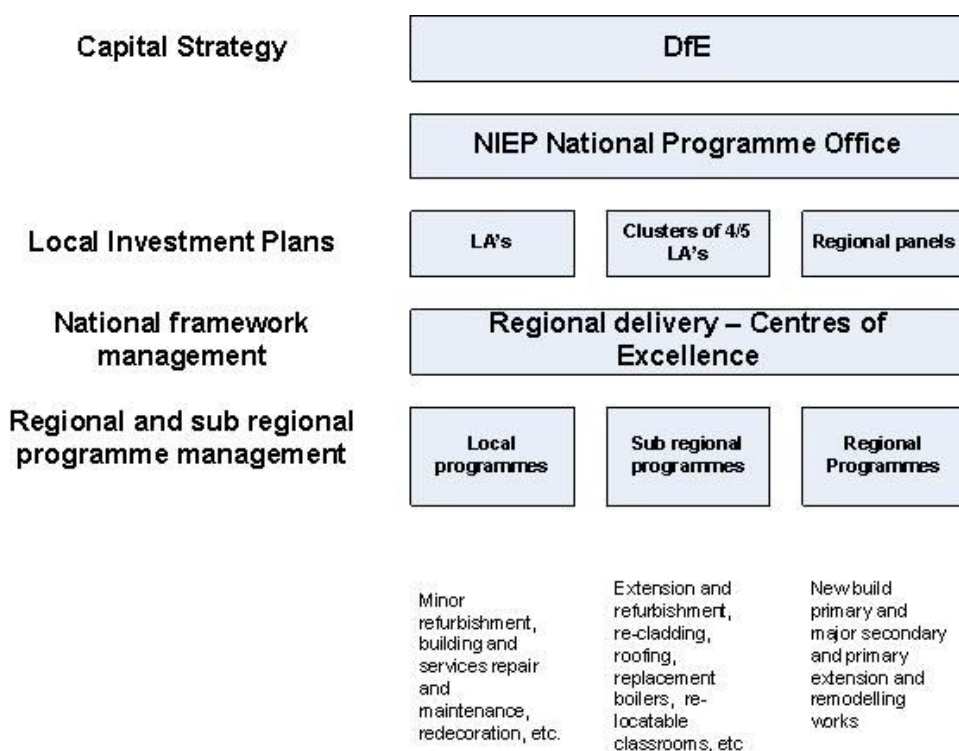
QA Manager

- Ensure the implementation of a national approach to gateway reviews to ensure consistent and best practice use of frameworks
- Identify authorities that may need help or assistance with project management
- Production and maintenance of a national handbook for best practice project management at practitioner level

Training Manager

- Lead the skills development of framework managers
- Lead the development of a national approach to apprentices and construction skills
- Provide the focus for research and development activities

Through this body, the NIEP would aim to provide a consistent approach to the use of regional frameworks, and to demonstrate the clear benefits to participating authorities. In this way, the frameworks will become a compelling vehicle to deliver national programmes of work. Furthermore, this body will identify clusters of authorities able to act as centres of excellence for the delivery of programmes of work. This model is shown below:



Through this model, as described in earlier sections of this document, we would aim to deliver maximum efficiencies, value and benefits through maturing arrangements, networks and programmes of work. This is a natural progression of work that is already under way in the NIEP, and through the cluster proposal as demonstrated by Hampshire, Surrey and Reading.