

# Implementation of the 2010-11 Review of Education Capital (The James Review) Consultation Response Form

The closing date for this consultation is: 11 October  
2011  
Your comments must reach us by that date.



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Reason for confidentiality:

|                              |   |
|------------------------------|---|
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Please tick one category that best describes you as a respondent.

|   |   |   |
|---|---|---|
| <input checked="" type="checkbox"/> Local Authority Children's Services | <input type="checkbox"/> LA Building Officer                | <input type="checkbox"/> Cabinet Member                     |
| <input type="checkbox"/> Academy  | <input type="checkbox"/> School Applying for Academy Status | <input type="checkbox"/> Voluntary Aided School             |
| <input type="checkbox"/> School Forum                                   | <input type="checkbox"/> Private Sector (construction)      | <input type="checkbox"/> Maintained School                  |
| <input type="checkbox"/> Campaign Group                                 | <input type="checkbox"/> Governor's Association             | <input type="checkbox"/> Other Children's Services Provider |
| <input type="checkbox"/> Other  |   |   |

Please Specify:

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

### **Recommendations 'Review of Education Capital: Sebastian James, April 2011'**

*Rec 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.*

*Rec 8: That the Department:*

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

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

#### Comments:

Local Authorities (LAs) have recently submitted (August 2011) the school capacity return to the DfE. For Hampshire, the return clearly sets out those priority areas where additional school places will need to be provided over the next five years. Hampshire has a strategic plan for capital maintenance and school place planning across the county, this investment plan also includes the Children's Services non-school estate. This investment plan is produced in conjunction with our headteacher and Diocesan colleagues irrespective of governance. Where appropriate, the two funding streams of Capital Maintenance and Basic Need align themselves to ensure best value. An example of coordinated investment is the bringing forward of recladding works where there is a link with a school place expansion.

Some 40% of Hampshire schools are of the SCOLA system build design. These buildings were the response to the rapid expansion of school places in the region in the 1960s and early 1970s. This concentration of school building activity has left a legacy: A maintenance time bomb.

Detailed condition surveys of the estate have their place but are best used as part of a fair and structured local allocation process. In Hampshire we have extensive local knowledge of the Children's Services estate across all phases and school types, including Academies due to the exceptionally high buy back of our property Service Level of Agreement. It is a combination of the following factors which leads to the identification of key themes for investment and sound strategic cyclical maintenance programmes in Hampshire:

- extensive local knowledge
- a well established and mature corporate risk management strategy
- a coordination of investment between condition and basic need investment.
- test and inspection programmes for structural, electrical condition etc.
- analysis of repeat day to day repairs
- feedback from a well established cyclical external decoration and repairs programme
- detailed condition data

It would be difficult, complex to replicate and hold such an approach at a national level. Centrally held detailed condition data has been tried before, the difficulties of maintaining extensive detail based on central guidance are already well known.

- lack of consistency. Detailed condition surveys would presumably be undertaken roof-by-roof, window-by-window. Even with strong guidance, the collection relies on subjective judgements made by a whole host of surveyors. We know in Hampshire, that maintaining consistence of judgements using our own employed surveyors is challenging enough; to try to collect such detail consistently nationally, will be neither simple or pragmatic.
- retaining the data up-to-date.
- the cost of such a programme.
- if these surveys are collected nationally, will they have local ownership or will they be duplicated locally?
- is it intended the data is to be used to be prescriptive about where in any particular local authority future funding allocations are to be spent?
- what if the local authorities have their own capital programmes locally, would you have to update the data on any spends?
- the condition data will always be out of date, 80% would be at least a year old.
- as detailed above, condition surveys are just one strand of making sound investment decisions in an estate and are not the whole answer.

There is always the risk that there is perceived value in "talking up" the liability if the allocations are based on the returns. In our view the condition surveys are

for use locally where judgement and prioritisation processes are more manageable.

If the intention is to simplify the allocation of capital maintenance funding on a fair basis and evidence the improvements in the estate, the key criteria used need to be fact, not judgement based. We believe this should start from a simple analysis of the floor area, age profile and construction type of school buildings within each authority, as set out in Table 1 of Appendix A. It would be practical to collect this data nationally in year 1 and would not need to be refreshed for some considerable time. Analysis of this data, combined with the application of appropriate investment rates per msq, could be the basis of allocations in the first few years as the more detailed data is collected. Such an approach would highlight where the need is greatest and where, for example, there are concentrations of backlog liability resulting from historical rapid expansion of school buildings (the maintenance time bomb). This approach would have the advantage of enabling a transitional period during which allocations can be made expediently enabling programmes of work to be generated earlier. This will deliver 'quick condition wins' whilst, in parallel, authorities develop regionally/nationally aligned local plans.

To hone the allocations, more detailed data would need to be collected and submitted. Rather than the collection of detailed condition data, we believe the data gathering should be focussed around key elements of the estate which form the main "themes" for investment (see Table 2 of Appendix A). These themes would need developing if they are to meet the challenges nationwide but should ultimately be from a standard list. A standard list would allow for aggregation of similar works into efficient lower cost programmes across geographic regions. In Hampshire these themes of investment have, in reality, been very consistent and focused for many years. The detailed data gathering could be subject to regular submissions for quality assurance. The submissions would be output focused and objective, rather than recording judgement based views.

Adoption of this approach would move us on from recording ever-growing figures of liability to a constrictive dialogue on condition based, affordable and manageable maintenance cycles, standards of specification and performance against the agreed key themes. Poor performing authorities would be identified readily and could be supported by a new national infrastructure and authorities with more experience. The data on key themes could also be used to identify national and regional programmes which could be aggregated together and delivered through regional and local programme office arrangements.

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

Yes       No       Not Sure

Comments:

Hampshire produced its own electronic, self validating condition survey system linked to our asset register in response to the original first call for national data submissions in 1999. These surveys are compliant with the guidance and collect data at building and elemental level. This data is reported at a strategic level across phases as required and annually reported to schools for their engagement and agreement to the priorities at site level.

A standard set of rates is used for consistency of input wherever possible but to be effective there is a facility for free text and bespoke cost input where necessary. Hampshire surveyors and engineers are employed to input the data and maintain the school level data. Training events are held to assist with consistency. The data is held across sectors and is shared with schools and diocesan colleagues.

Over the last 18 months all Secondary Schools have been resurveyed and an extensive programme of resurveying the Primary, special and other Children's Services buildings is underway with a target for completion by Christmas 2011.

A key challenge is to set the pace of ambition in the data collected. For example, in 1999, a key theme of investment in Hampshire was the early versions of the SCOLA. At the time the later versions of SCOLA were programmed for external redecoration only. Over the period of New Deal for School grant allocations, 87 SCOLA mark 1 buildings have been reclad. In 2010 we delivered the first pilot projects for recladding the later marks of SCOLA. We have taken the step of now recognising the impending need to address the recladding of these later SCOLA buildings and at this early stage in the programme we anticipate the costs of this theme alone at £195m. This is a new additional liability not previously reported in our condition data and is a key indication of the maintenance time bomb in Hampshire.

**Flexible capital budget with local decision-making**

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

*Rec 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.*

*Rec 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.*

*Rec 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.*

*Rec 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.*

*Rec 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.*

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

Yes       No       Not Sure

Comments:

The central funding of Free Schools is acceptable providing LEAs remain a consultee in terms of school place planning. However, treating responsible bodies such as Free Schools differently presents a risk that an authority could inherit an unexpected asset with associated maintenance issues should the school standards drop to a point requiring intervention.

The majority of available capital over the next five years will be required for Basic Need & Capital Maintenance projects. This is particularly true for those LEAs such as Hampshire that did not form part of the BSF programme. The Children's Services capital programme already sets out an indicative 4 year programme of investment that currently includes all schools and Children's Services facilities, irrespective of governance

Hampshire County Council has a Service Level Agreement for the provision of Property Services to the vast majority of schools in the County. This includes Voluntary Aided, Foundation, Trust and Academy Schools. Around 30 schools have, or are in the process of, converting to Academies and all of those that previously bought the Council's property services are continuing to do so at the time of conversion. This includes contributing their allocated capital and revenue funding into one pot that is then distributed on a priority basis amongst all the schools who contribute.

The reduction in hypothecated allocations is welcomed. Allocations through multiple funding streams and partners reduces the ability for strategic planning.

A notional budget linked to the above that delivers through a Local Investment Plan (LIP) would be a fair and transparent process for allocating capital against the highest priority areas. The central review of the LIP must allow for planning over a minimum of 3 years. It is important that any system is free of unnecessary bureaucracy, the main risks are around central approvals and appeals delaying deployment of capital. The DfE should identify basic need and capital maintenance as the accepted top priorities.

The move to a single flexible budget from one source is very attractive to local government, as it makes planning very much easier. Authorities would be keen to avoid ring fencing or central allocation of funding as other funding is frequently used for co-location projects in conjunction with other public sector services such as housing or health for example. The Capital and Asset approach will need a much more flexible approach to the use of capital funds. The annual budget system does not help long term planning, nor does it give a pipeline picture to the private sector supply chain.

**4 a) What do you consider to be the benefits or risks in establishing a single capital funding model of this nature?**

Comments:

**Benefits**

A single capital funding model will best suit expenditure on local priorities (identified through condition assessments and local investment planning). With a medium to longer term horizon of, say, a minimum of 3 – 5 years, it will enable programmes of work to be introduced, cyclical activities like external decorations, re-roofing etc. (all of which have different replacement periods) to be planned positively across an area enabling aggregation and common approaches to the delivery through the supply chain. This will also be attractive to the industry who will respond with best value costs and drive through efficiencies from repeated programmes.

High priority single projects and risks can be tackled because there is flexibility within budgets to do so, rather than the previous allocations having lots of hypothetical budgets which prevent or restrict the ability of the Local Authority to plan strategically for local priorities.

The LEA/DCS is the best placed accountable body to determine priorities linked to strategic (statutory) responsibility for the planning of school places. Set priorities for spending could be agreed through the LIP under the chairmanship of the Director of Children's Services focussing around the areas of highest strategic importance, basic need and capital maintenance.

**Risks**

The benefit of flexibility and choice for local priorities will necessitate a clear process for investment decisions and criteria on which proposals are measured. If there was insufficient governance or challenge, then local proposals could lead to money getting spent on lower priorities and higher than necessary costs of design, procurement and delivery. Refer to Sections 11 and 12 which explain more about the potential governance solution that would ensure maximum advantage from the single pot model.

There is a risk that this funding will get spent on other Local Authority priorities, not the Children's Services estate. We are aware of this happening in some authorities and this needs to be specifically prevented if the investment is to have maximum impact. At Hampshire County Council, this has never been the case and we enhance capital maintenance funding each year by converting a proportion of revenue funding to capital. This, combined with the schools' own 'fair funding' allocation has meant that a significant on-going, centrally managed programme has been possible for many years.

#### 4 b) How would you address the risks you have identified?

Comments:

Hampshire County Council has an established record of working with all of its schools irrespective of governance. This includes a detailed understanding of all of our school buildings and forecast need. This has been developed through working groups with headteachers, governors and our Diocesan colleagues. Future priorities are discussed and agreed with these groups and reported to elected members through formal decision days that are open to member and public scrutiny. The allocation of capital funding through LEAs will ensure this process continues, addresses the main capital priorities and remains transparent in terms of the decision making process.

Create a governance arrangement consisting of an accountable body overseeing all investment decisions. This could be supported by a regional centre of excellence which would ensure that criteria and process are robust and regional opportunities for aggregation, standardisation and supply chain management are identified and appropriate delivery models used to maximise efficiency and certainty of product and timescales. All responsible bodies' investment proposals could be vetted for consistency and appropriateness. Those bodies that have less (or no) capacity or skills in asset management would be supported in developing local priorities and proposals by the regional/local centres of excellence drawing on both public and private sector experience and expertise. This can be evidenced in the South East by the iESE Programme Team who provides both pre-procured delivery routes as well as experience and expertise to act as 'critical friend' or step into the shoes of the responsible body where they do not have the skills.

A regional arrangement, similar to that referred to in Section 11 later, is already established across many areas of the Country and could easily be strengthened and extended to deliver this governance and support.

**4 c) Specifically, how could the local area decision-making arrangements be established to ensure that the process represents the range of Responsible Bodies, takes account of all needs, leads to fair prioritisation of investment within the available resource, and is not unduly bureaucratic?**

Comments:

If the LA continues to hold and assess data for all schools, this will ensure a transparent prioritisation and allocation of capital across the county. This will include Academy Trusts and potential sponsors.

Attached is a diagram of our suggested model for how a decision making arrangement could be established and linked to a programme management function which would collate the incoming proposals from Responsible Bodies, prioritise them and then assemble them into batched projects and programmes of work. The regional programme offices would then ensure the most appropriate procurement and delivery mechanism for the work using pre-established templates and/or frameworks. Together, this would ensure that all needs are taken account of, prioritisation is fair and investment is maximised and not unduly bureaucratic.



Schools Capital  
Model Sept 11r...

The LA is best placed to do this but it is recognised that some will require support and challenge to ensure that national investment is channelled consistently. There must be a degree of compulsion to ensure this is managed robustly. It will also benefit authorities and responsible bodies as, overall, a fixed funding pot will go further and the maximum possible number of projects will be delivered, benefitting all.

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

Yes

No

Not Sure

Comments:

As referred to in other sections, there are major benefits in being able to plan over the medium term with certainty. This enables learning to be developed and transferred, repeat programmes put together and costs reduced over time as efficiencies are identified and implemented. Any new national, regional and local governance will take time to set up, resource and embed into the priorities, design and delivery process.

The recent 11/12 allocation which separates Basic Need and Capital Maintenance is a sensible and pragmatic approach. It still would not prevent a responsible body from undertaking work related to both on a single site where this makes sense to do so. It would, however, prevent prioritisation exclusively on Basic Need to the detriment of Capital Maintenance. The two themes require different approaches and Basic Need is generally cyclical based on demographics but Capital Maintenance is long term and needs to be regularly and consistently funded if the total back-log is to be addressed positively.

Uncertainty of future funding will have a negative affect on confidence, effective planning and could stall spending on longer term initiatives because of a focus only on the immediate issues. A good example would be continued investment in the re-cladding of 1960s system built school buildings which requires higher levels of regular expenditure over 10 – 20 years to complete and have an impact. In Hampshire, a SCOLA I cladding programme has been completed over 15 years and this has eliminated decoration costs, improved thermal performance and the internal investment. Without the New Deal for Schools funding, this would not have been possible to do in the timescales achieved.

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

Yes       No       Not Sure

Comments:

We believe there would be significant advantages to creating local and regional programmes of work. Although schools, academies and colleges are different types of educational establishments, many of them have common building types and construction methods that have been utilised historically. If the LIP can identify the common themes and types of work geographically, then they can be batched into work programmes and procured using the same contractors.

There could still be national programmes for specific programmes/projects like, for example, batched Private Finance Initiatives, that may be better suited to being centrally managed because national aggregation leads to the best industry response and reduced costs.

There is a risk that the management arrangement become too atomised and aggregation benefits are lost, however, this can be prevented if the governance and delivery model referred to in Section 4 (C) is applied.

There is a risk of legal challenge because the European Procurement Rules apply to Academies and other institutions which can make it difficult for them to join in with LA procured arrangements. It would be helpful if this could be overcome to enable the regional and local joining up of services and construction delivery across the public sector.

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

Yes

No

Not Sure

Comments:

Our view is **no** to this question. It goes against the principles of strategic prioritisation referred to in question 3. Splitting budget allocations by Responsible Body will not allow an holistic approach to the condition based approach and will reduce opportunities to control the aggregation and standardisation of projects into programmes of work – reducing the cost savings and economies of scale that would result.

For smaller Responsible Bodies and authorities who may have a single large condition issue, this could prevent them amassing sufficient funding over a reasonable period to address it.

For example, in Hampshire, Children's Services and Property have a close working relationship with Diocesan colleagues and aim to co-ordinate work activities. Often this was frustrated by the separate budget allocations, VAT and governors' contributions issues.

7 b) **How would such Responsible Bodies be identified?**

Comments:

Our recommendation is to use the LEA to strategically prioritise across the whole Children's Services estate. See 7a above.

Responsible Bodies would still have a role under this proposal but not have the funding allocated on a 'proportional' basis. Such bodies would be represented through governance arrangements and be able to put forward their own condition priorities through the Local Investment Plan. The LIP would have a set of agreed strategic funding priorities ensuring the best use of available capital. Geography and the make-up of local authorities on a region or sub-regional basis will determine the most appropriate critical mass to get the economies of scale.

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

Agree       Disagree       Not sure

Comments:

Investment plans based around Local Education Areas or wider collaborations would be essential tools to inform the strategic prioritisation of need, and to provide predictability of the pipeline of either capital works or revenue repairs to private sector partners. LIPs would also aid the movement towards greater collaboration between responsible bodies and local authorities. Content could include:

- Basic Need – the requirement for additional school places
- Particular maintenance issues (to identify common items)
- Asset improvement plans for local prioritisation
- Building refurbishment needs for local prioritisation
- New build or extension plans for local prioritisation
- A risk assessment to demonstrate priorities
- Potential local programme execution plan including
  - Resources
  - Procurement strategy
  - Maintenance strategy
  - Delivery strategy

Essentially, this process would produce a set of agreed criteria for investment and provide a transparent decision making process. The LIP, if chaired by the DCS would have a strategic overview of need both for condition and school place planning, thus allowing for the aligning of budgets to deliver standard approaches and economies of scale.

LIPs would be the opportunity for Local Authorities and Responsible Bodies to establish agreement to common themes with a risk assessed basis for priorities, delivery mechanisms, principles of pooling resources, procurement strategies etc.

Lead authorities in each region could be identified as centres of excellence and help promote and coordinate a shared cluster approach for Local Authority working and Local Authorities could then be supported by a regional Programme Office so that procurement and delivery activity are led and coordinated to secure efficiencies and benefits for all.

Refer to structural model in Section 4(c).

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

|   |                                   |                                   |
|---|-----------------------------------|-----------------------------------|
| <input checked="" type="checkbox"/> Agree | <input type="checkbox"/> Disagree | <input type="checkbox"/> Not sure |
|---|-----------------------------------|-----------------------------------|

Comments:

This is achievable for 2012 but only at a high level giving a strategic overview for investment. The plan could then be developed over the coming years and be a plan that responds to changing and emerging need. An indication of future budget allocations would be required to ensure the plan did not simply turn into a long wish list.

One preference would be to establish the estate profile first across the County as proposed in Section 1.

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

Yes

No

Not Sure

Comments:

We are advocating a Local Authority led cluster and regional approach to capital investment. Our proposed use of template design, procurement standardisation and supply chain management would offer creative and site specific building solutions whilst securing necessary efficiencies.

Without this, and when investment is allocated at the local school/academy level the use of capital is not strategic, efficient nor very creative. Devolved Formula Capital expenditure has demonstrated this over many years where schools have been self interested and have spent their allotted monies locally, not necessarily aligning expenditure with strategic condition priorities and certainly not across the wider schools community. The disaggregation of funding direct to individual schools led to missing opportunities to see and share in bigger picture strategic benefits and losing the chance to realise any efficiencies in aggregated delivery. The schools often did not seek or see the need for good professional advice in their planning or delivery of capital investment in their built estate and as such the monies were not invested in the highest priority or liabilities. When disaggregated, the sums of monies for one school were very small relative to the overall building liabilities and did not incentivise strategic thinking or creative investment.

At the other end of the scale national frameworks and private finance initiatives have been criticised as poor value for money and appear to have been too large to deliver medium and small repair activities, having been set up to deal with larger capital investment projects. These have been too expensive and cumbersome to set up and deal with the smaller projects and struggled to creatively respond to locality, local client requirements and regional supply chain markets.

Our proposal is for LIP's coordinated by Local Authorities to be the vehicle for identifying strategically prioritised capital investment which can be coordinated regionally through a programme office so that investment at whatever level can be creatively and efficiently delivered. This would be based on our experience of procurement infrastructures which acknowledges regional differences, local markets and preferences.

It is our experience that it would be entirely possible to better coordinate the prioritisation, the commissioning, the design, the procurement and the delivery of creative and innovative solutions for capital investment in schools and we have evidence of doing so across Hampshire and the South East region.

### **National Contracting and Procurement**

#### ***Recommendations 'Review of Education Capital: Sebastian James, April 2011'***

Rec 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.

Rec 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.

Rec 15: That the Department quickly takes steps to maximise the value for money delivered through maintenance and small projects and puts in place a simple and clear national contract to make this happen.

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

Agree       Disagree       Not sure

Comments:

There are benefits in having a national approval and expertise to standardisation procurement in some respects. However, such a strategy needs to take into account regional differences, local markets and preferences. To a large extent, such an approach has already been established within each region of England. These comprise a range of regional and sub-regional contractor and consultant frameworks, available for building and maintaining schools and other public sector building, through the organisations which form National Improvement and Efficiency Partnership for the Built Environment (NIEP). The NIEP is a unique organisation bringing together leading public sector practitioners and the private sector through workstreams and strategic procurement arrangements. Each of the nine regions is represented at the NIEP Board, together with colleagues from Department for Communities and Local Government (DCLG), the Efficiency Reform Group (ERG) and the private sector. The NIEP is , chaired by Andrew Smith Chief Executive of Hampshire County Council, and is committed to the sharing of best practice through a network of like minded organisations which promote partnership and collaborative working through well organised programmes of work. Reports have been prepared demonstrating benefits achieved and the significant adoption by local authorities in the regions on a discretionary basis. The reports can be found on the NIEP web site:

<http://www.niepbuiltenvironment.org.uk/doc-library.html>

Establishing another set of frameworks with central project management would cause unnecessary duplication, cost and dilute market interest. It is now evident that there is considerable support for the regional frameworks within the NIEP community and these arrangements are seen as mature, very efficient and effective. Dedicated expert management teams provide considerable support to the local authority community which uses the arrangements, ensuring programmes of work are well run and framework users have a collective voice with the industry and can share best practice through a strong network of users. Many of the regional frameworks which are in place are, in fact, second or third generation arrangements and all are self-financing and professionally run. Active data collection and analysis is enforced and the procurement route highly regarded by a very large number of users including local authorities and schools. Extensive national evidence and data has been captured by the NIEP, which demonstrates the wide ranging benefits that

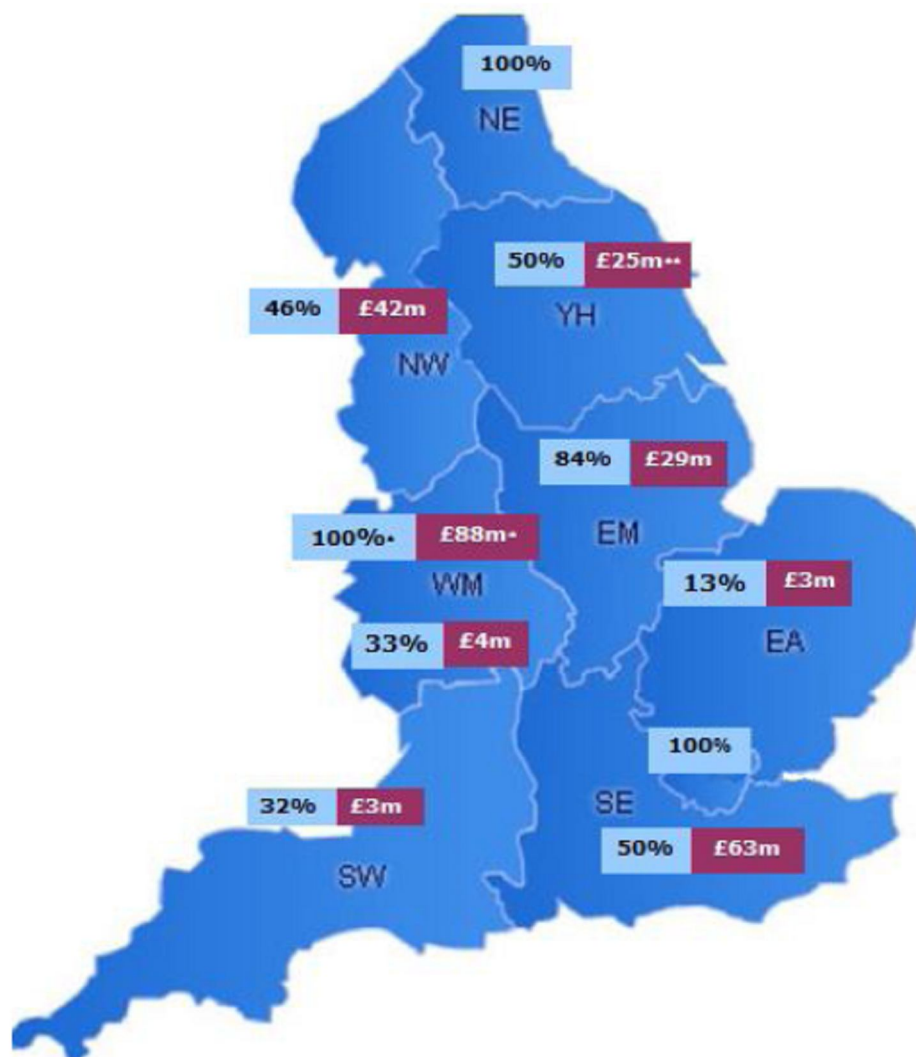
have been realised across the country. The NIEP has recently developed a core framework design which is being adopted in all new generation frameworks.

In addition to the above, the regional frameworks are developing a partnership culture with the private sector committed to predictable delivery of high quality products.

The maturity, usage and benefits from the regions is summarised on the map below:

## NIEP Current Benefits

- Savings to date across total Built Environment  
\*\* + £105m savings from Social Housing
- Regional Adoption (% of Councils Engaged)  
\* Birmingham City Council



The frameworks enable the adoption of a programme approach across clusters of authorities on a regional or sub regional basis. This approach can establish common approaches to all aspects of project management for projects in the programme, and allocating accountability for management of local risks to individual projects. This is a system which has been shown to work well, and is attractive to local government.

Certain elements that rely on local, SME or Micro businesses do not lend themselves to national frameworks. Intermediate size projects, small works and maintenance programmes vary between authorities and responsible bodies and are best established within the geographic constraints of this market. It would be difficult to establish national arrangements that got the best out of these local suppliers that were flexible or dynamic enough to respond to local needs. However, a national strategy based around best practice procurement of a number of different templates for adoption would be more responsive to local need. Such an approach has been applied to clusters of authorities within the NIEP community at regional and sub-regional level but then all linked through common governance to national direction. This approach could be extended to suit all authorities including those who wish to outsource or share services.

HCC, on behalf of the NIEP, reviewed possible procurement strategies for PFI projects, and the complexity and risk involved means that a national framework suggests that this is not a realistic or viable option. However, batched procurement using templates designed once and used many times, would create significant efficiencies. Further details of this research can be provided if necessary.

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

Yes       No       Not Sure

Comments:

The NIEP have strong evidence showing regional and local procurement offer better value for money and higher quality outcomes than conventionally tendered work. This is particularly so for:

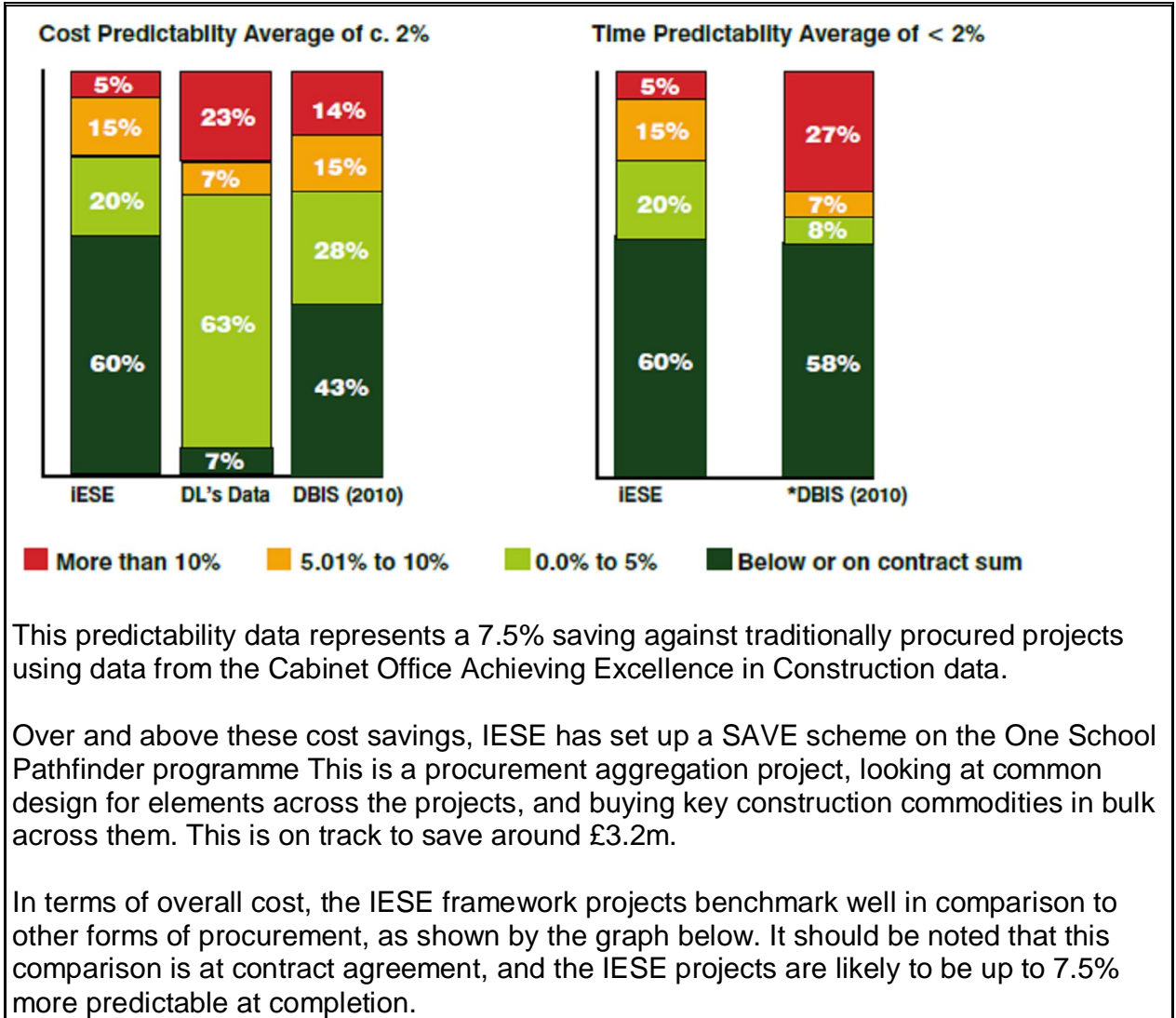
- Projects that can be assembled into programmes of work
- Programmes of work that are to be delivered by a group of contractors
- High risk/complex projects which benefit from early contractor involvement
- Projects which would benefit from careful planning and value engineering
- Projects that would benefit from a common design and or supply chain leading to efficiency savings
- A series of works of a common type such as planned maintenance
- Reactive or urgent work
- Projects where time and cost predictability are seen as important

Through cost benchmarking, evidence from KPIs and case studies, it can be demonstrated clearly that regional and local arrangements offer better value for money for the vast majority of work delivered in the sector. This is particularly so for the areas identified above. It is encouraging that the question asks can we show the frameworks offer better value for money rather than 'cheaper'; in fact both can be shown.

The procurement and management of the SE and London construction framework for major projects has been funded by IESE since its launch in 2006. During that time, 97 projects valued at £720m have been completed, a further £1.1billion of projects is being delivered.

The identified shared efficiency savings which have been signed off by contractors and clients is currently £77m. 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 turnover and completed projects.

The average framework project is now completed within 2.1% of the expected budget and within 1.7% of the expected time – far exceeding the performance of comparative projects tendered using traditional lowest price procurement.





This “basket” of KPI data, and benefits shows that the frameworks are delivering high quality products at predictable cost which is equivalent to or less than industry comparators.

These benefits have been replicated in other regions as demonstrated in the benefits reports published on the NIEP web site and linked below:

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

The NIEP has collectively developed a national network of performance managed collaborative frameworks that promote early contractor engagement, local control, whilst offering the benefits of increased economies of scale, lower procurement costs, transparent competition and capacity provision for our sector. The NIEP frameworks provide a powerful vehicle to drive local economic and community benefit, including jobs and apprenticeships, local employment, SME engagement, improved fair payment conditions, carbon and waste reduction. A jointly designed core construction framework model has been developed for local adoption and adaptation. The first examples of this are the adoption of the core framework model for use in the new South East, North East, East of England and North West frameworks. The NIEP believes that this balanced approach best delivers “localism through leverage”.

By sharing best practice in procurement, significant savings in terms of cost, time and value have been achieved. The following key collective outcomes demonstrate how local government led collaboration can achieve best value in construction procurement:

- £300m total efficiency savings to date across the NIEP Built Environment
- Created 1330 new entrants and trainees
- Collaborative framework projects save 7% on construction cost at contract sum, compared to traditional contracting<sup>1</sup>
- Overspend avoidance between contract sum and final account saves a further 7.5% on collaborative framework projects<sup>2</sup>
- Consultancy fees cost 9-13% less than industry comparators<sup>1</sup>
- Avoidance of claims saves typically a further 5%<sup>1</sup>
- 95% of projects are delivered within 5% of target programme
- 85% of sub-contractors are SMEs
- 64% of sub-contractors are local to the area
- 87% of all construction, demolition and excavation waste is diverted from landfill
- £1.1bn annual spend on major construction frameworks
- 183 authorities in England have engaged with NIEP frameworks

<sup>1</sup> Davis Landon has utilised data obtained from the IEP studies nationally to compile this comparison

<sup>2</sup> Cabinet Office (Achieving Excellence in Construction (AEC) Project Performance and resulting Benefits for the period April 2009 to March 2010)

**13 Are there limits - contract value or type of project - where you think the case can best be made for local or regional contract procurement? Please specify below.**

Yes       No       Not Sure

Comments:

Regional and local contract procurement is best suited to capital and revenue funded works that can be procured without the need for complex procurement and financial arrangements. Care must be taken with projects that are delivered through complex funding arrangements such as PFI, which are better dealt with by batched programmes.

The regional and local frameworks which form the NIEP family deliver projects of any value other than PFI schemes. In the South East, project size ranges from £10,000 up £70,000,000. The average project size of the SE regional framework is £8,500,000, and all projects are delivered by any of the contractors on the framework. Hence national and regional contractors compete to deliver projects of all sizes and complexity, and bring a wealth of supply chain expertise to the development of local programmes.

From our experience, there is no logical reason or need to deliver projects through a single national framework. Indeed, this would adversely affect the key regional suppliers who are readily able to deliver multi million pound projects, and who have well developed local regional supply chains.

The key to delivery of efficiencies is the need to form programmes of work, and an approach that takes out projects for delivery nationally would dilute this.

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

Comments:

A central project management body would not add any additional value to the existing regional infrastructure, and would more likely add complexity, bureaucracy, and management cost. Any investment in management resource would be better placed in the local / regional programme management strategy.

The regional frameworks are aimed at capital projects, and are not suitable for PFI initiatives. The complexity of PFI means that batched procurement would be a far better solution than local procurement, and this would be an ideal activity for a central body to lead.

There could be other key national infrastructure or procurement activity that could also be led by the central body, but this would need to be reviewed against what exists in purchasing organisations already.

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

Comments:

The NIEP is a body that is co-ordinating regional activity through a series of work streams as follows:

- Procurement and Skills
- Client Leadership
- Asset management
- Highways

The key goal of each Workstream is, through the sharing of best practice thinking amongst the NIEP Board member organisations, to recommend optimum best practice models for adoption by local government:

Each Workstream is designed to support and achieve efficiencies – primarily by obtaining best deals, and by collaborating to share contracts and to maximise purchasing power via joint exercises and frameworks.

The NIEP framework provides more detail:

<http://www.niepbuiltenvironment.org.uk/workstreams.html>

The procurement and Skills work stream has already developed a series of KPIs for adoption by all the regional frameworks, and has identified a number of key areas where the regions can work more closely together, sharing resource, or jointly funding activity. One of the most important of these is the plan to develop a cost benchmarking resource working nationally on behalf of all the regions.

Each regional arrangement is governed by a body made up of local authority representatives, and the private sector partners. Meetings of the governing bodies are designed to ensure continuous improvement of the arrangements, and the sharing of learning and experience by participating authorities. In the SE, there are regular combined forums of authorities, consultants and contractors to identify key learning and improvement areas.

Through the frameworks, the management team is able to identify common projects, and form programmes of work across authorities. The SE framework did just this on a programme of 9 One School Pathfinder Projects, saving £10m on the original £261m budget.

Through the NIEP and the regional framework arrangements, we are looking to develop clusters of authorities to work more closely together, sharing resource, pooling capital projects into programmes, and developing as a local centre of excellence. This is evidenced by the formation of a cluster in the South of Hampshire County Council, Surrey County Council, Reading Borough Council, and West Sussex County Council.

Governance models emerging from the regional frameworks and the cluster could be applied at a regional level to enhance the collaborative effort of all authorities in a region, and bind the collective to standard processes and shared resource.

Through these National, regional, and cluster arrangements, we aim to deliver the objectives of the James Review, and through the evidence of what has been achieved to date, we are confident this is possible through the existing maturing arrangements.

The learning from implementing this joint working in the Hampshire, Surrey, West Sussex and Reading areas can be consolidated, say through a funded regional pilot, and made available to similar regional groups.

The benefits gained are already very significant. Best practice, guidelines and templates already exist and can be quickly developed for roll out to other regions so the same gains can be made by them, from this regional approach.

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

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

Rec 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.

Rec 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.

Rec 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 coordinated centrally to deliver best value.

Rec 11: The standardised drawings and specifications must be continuously improved through learning from projects captured and coordinated centrally. Post occupancy evaluation will be a critical tool to capture this learning.

Rec 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.

Rec 16: That the Department revisit its 2004 Cap Gemini report and implement proposals where they are appropriate.

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

Comments:

Hampshire County Council, on behalf of the NIEP and our Local Authority Partners in the region, offer to do the following for the DfE:

1. Support the DfE in creating and structuring a national solution which enables them to retain the necessary policy and overseeing role but not take responsibility for managing the programme and project delivery of capital funding. This is illustrated in the attached proposal and response from the NIEP.
2. Pilot a collaborative approach to joining up programmes of work to deliver appropriate standardisation, economies of scale and engagement with the construction supply chain through pre-existing frameworks. The current cluster of authorities willing to take part and Surrey County Council, West Sussex County Council, Reading Borough Council and Hampshire County Council. See attached summary of 'Cluster' Terms of Reference and objectives.

**CLUSTER WORKING – A Model for Property and Assets Collaboration Between Local Authorities**

**Scope**

- A collaborative partnership of a number of public sector organisations with responsibility for property and assets. Anticipated to be around four to six members initially.

**Aims**

- Collaborate on programme and project delivery to reduce costs and deliver efficiencies.
- Create common approaches and templates for service activities and delivery, e.g. Capital Programme monitoring, procurement, design and specification.
- Make best use of skills and capacity to avoid duplication and create flexibility.
- Amass greater volumes of work to deliver procurement savings and buying gain in the construction and professional services market through economies of scale.

- Share knowledge and expertise so that innovation and past experience can benefit all.
- Offer the private sector (consultants and contractors) a co-ordinated and managed outward face to maximise buying gain and greatest certainty of delivery with reduced or eliminated abortive work.

### **The Mechanism**

- A Memorandum of Understanding/Agreement that stipulates the requirements for being a member of the Partnership: Principles; terms; joining; leaving; liabilities; behaviours, etc.
- A Legal framework that enables all participating authorities to share resource and costs.
- Officer governance arrangement, chaired by the Lead Authority (Hampshire), that will assemble, direct and monitor the performance of the shared resources and programmes.
- Establish a Member Strategic Board
- Establish a 'Central' Programme Management Team that will:
  - Draw on resources from all parties
  - Co-located but with 'virtual' operational arrangements
  - Undertake data and performance monitoring
  - Be funded by both subscription and income from frameworks and supply contracts
- All participating authorities agree to use the same contractor and consultant frameworks to deliver projects and services; tendering arrangements; supply chain procurement; pre-qualification criteria etc to streamline processes and reduce costs.
- A financial framework that sets out costs and charges between authorities and for the Programme Management Team.

### **Measuring Outcomes and Performance**

Create a series of Performance Indicators (PIs) to track and monitor the delivery of cost savings and efficiencies both collectively and separately. Suggested PIs as follows:

- Total volume of capital and maintenance projects procured through the Partnership.
- Project delivery performance indicators in contractors (costs; time; quality; Health & Safety etc.)
- Project delivery performance: Design Teams and Consultant Partners (cost; time; quality; customer satisfaction etc.)
- Economies of scale savings:
  - % of professional fee reductions on projects and across programmes
  - Supply chain component reductions in average/gross cost terms
  - Reduction in % of main contractors overheads through standardisation and larger programmes of work
  - Reduced gross and net construction costs in £/m2
  - Procurement savings achieved through common approaches and frameworks

#### Appendix A:



V3 Estate Reporting  
Excel Worksheet.xls

Thank you for taking the time to let us have your views. We do not intend to acknowledge individual responses unless you place an 'X' in the box below.

**Please acknowledge this reply X**

Here at the Department for Education we carry out our research on many different topics and consultations. As your views are valuable to us, would it be alright if we were to contact you again from time to time either for research or to send through consultation documents?

Yes

No

All DfE public consultations are required to conform to the following criteria within the Government Code of Practice on Consultation:

Criterion 1: Formal consultation should take place at a stage when there is scope to influence the policy outcome.

Criterion 2: Consultations should normally last for at least 12 weeks with consideration given to longer timescales where feasible and sensible.

Criterion 3: Consultation documents should be clear about the consultation process, what is being proposed, the scope to influence and the expected costs and benefits of the proposals.

Criterion 4: Consultation exercises should be designed to be accessible to, and clearly targeted at, those people the exercise is intended to reach.

Criterion 5: Keeping the burden of consultation to a minimum is essential if consultations are to be effective and if consultees' buy-in to the process is to be obtained.

Criterion 6: Consultation responses should be analysed carefully and clear feedback should be provided to participants following the consultation.

Criterion 7: Officials running consultations should seek guidance in how to run an effective consultation exercise and share what they have learned from the experience.

If you have any comments on how DfE consultations are conducted, please contact Carole Edge, DfE Consultation Co-ordinator, tel: 01928 438060 / email: [carole.edge@education.gsi.gov.uk](mailto:carole.edge@education.gsi.gov.uk)

**Thank you for taking time to respond to this consultation.**

Completed questionnaires and other responses should be sent to the address shown below by 11 October 2011

Send by post to:

Jane Power  
Department for Education  
Castle View House  
Ground Floor Area C  
East Lane  
Runcorn  
Cheshire  
WA7 2GJ

Send by e-mail to: [CapitalReview.CONULTATION@education.gsi.gov.uk](mailto:CapitalReview.CONULTATION@education.gsi.gov.uk)