

REPORT TO: Executive Board
DATE: 22nd September 2011
REPORTING OFFICER: Strategic Director – Children and Enterprise
SUBJECT: James Review
WARD(S) Borough-wide

1.0 PURPOSE OF THE REPORT

1.1 To update the board on the Sebastian James' Review of Education Capital and to outline the Priority School Building Programme (PSBP). In addition, to seek agreement to submit an application for the PSBP funding for 6 Local Authority Schools.

2.0 RECOMMENDATION: That:

- i) the Board note the findings of the Sebastian James Review of Education Capital; and**
- ii) the Strategic Director, Children and Enterprise, in consultation with the Lead Member for Children Young People and Families be authorised to submit applications for the PSBP for all schools that meet the Department for Education (DfE) condition criteria.**

3.0 THE SEBASTIAN JAMES REVIEW

3.1 Following the Michael Gove announcement on the 5th July 2010 to end all current school capital projects, Michael Gove commissioned Sebastian James to lead a review of the Educational Capital Build programmes. The review was to establish the failings of the current system and identify how to streamline the process and thereby allow more money to be spent on the educational establishments and less on consultants and bureaucracy. The result of this review is the Sebastian James' Review of Education Capital, which was published on 8th April 2011.

3.2 The review was undertaken by the Capital Review team, which was made up of a panel of experts led by Sebastian James – Group Operations Director of Dixons Retail plc. The other members of the team were:

- Kevin Grace, Tesco; Director of Property Services
- Barry Quirk; Chief Executive of Lewisham
- John Hood; former Vice-Chancellor of University of Oxford
- Sir John Egan; former Chief Executive of Jaguar and BAA
- Ben Gordon; Chief Executive of Mothercare plc.

- 3.3 The document is split into two parts, Part A looks at the process previous to July 2010 and identifies the problems with and learning from previous school capital projects, particularly the Building Schools for the Future Scheme (BSF). Part B concentrates on what a new system would look like and the processes to be put in place to allow a streamlined procedure for capital spend on education establishments to be implemented.
- 3.4 The report makes a total of 16 recommendations, which are included in Appendix A of this report.
- 3.5 The Department for Education (DfE) has initiated a twelve week consultation exercise and have invited bodies to comment on the review paper prior to the Secretary of State issuing his response. However, the consultation document identifies that of the 16 recommendations
- 6 have been accepted outright,
 - 2 have been accepted in principle,
 - 6 have been accepted but will be consulted upon; and
 - 2 require consultation.
- These decisions are noted in Appendix A.
- 3.6 The DfE have made it clear that in addition to just school buildings, they want the new processes discussed in the Sebastian James' review to include Sixth Form Colleges, University Technical Colleges and Studio Schools, myplace facilities and Sure Start Children's Centres.
- 3.7 The deadline for the completion of the consultation process is 11th October 2011. Appendix B outlines the key recommendations for consultation and provides a more detailed analysis of the impact. In the following section the key issues and implications for Halton to consider are highlighted.

4.0 KEY ACTIONS FOR HALTON

- 4.1 It is clear that management of the education building estate will be changing in the next few months/years and that if Halton want to be able to remain a key stakeholder we will need to change the way that we work with each other and our suppliers. The following are key areas that are being discussed between the directorates and stakeholders.

4.2 LEAD RESPONSIBLE BODY

It is imperative that Halton Borough Council is recognised by the DfE, Archdioceses, Academies and future Free Schools as the lead Responsible Body in the borough and the holder of the Local Investment Plan. In this role the authority must be able to provide Condition Surveys for all school buildings to the DfE as needed and be able to articulate the future development plans for all educational buildings in the area.

In order to secure this position HBC must:

- 4.2.1 1. Develop a case for Halton BC to be treated as a Responsible Body with a proven delivery capability to allow some procurement to come

through the authority

- a. The existing LEP should assist with the authority being able to demonstrate a proven delivery capability.
- b. A new group may need to be established to ensure that the LA can be seen as taking the co-ordination role and thereby take on Lead Responsible body status.
- c. There will be no funding available from the DfE for this role and therefore Halton will need to understand the extent of the role to be undertaken and where the funding will come from.

4.2.2 2. Develop a new repository of condition data across the local area, to include all schools not just LA maintained.

- a. Halton currently have condition data for all schools in the authority and these are stored on a database that is accessible to schools. These surveys for LA and VC schools are currently being updated.
- b. Halton will need to understand who will pay for the surveys for VA, Academy and Free schools. The concern is that if we do not have all condition in one place we will be unable to act as the Lead Responsible Body and if asked to pay some of the schools may not agree. Traditionally, Halton have not charged the VA schools for conducting school surveys.

4.2.3 3. Develop a clear strategy for how the Local Investment Plan will be developed by spring 2012.

- a. The strategy will require buy in from all VA and Academies. A process for approval of the Local Investment Plan will need to be established, along with criteria for producing the plans.
- b. The plan aims may need to be altered if an Academy or one of the Arch diocese decide not to contribute to the plan

5.0 DEVELOP A REGIONAL BASED PROCUREMENT APPROACH

The James review clearly identifies that it sees value for money being delivered through a centralised or regional procurement process. If Halton Borough Council is to convince the DfE that Halton is able to deliver a Value for Money service a number of regional style contracts should be established.

In order to secure this position HBC must:

1. Develop a clear strategy for how we can partner with other Local Authorities to create a Regional base for procurement.

- a. Identify partner authorities and liaise to develop a regional collaboration for delivering capital projects.
 - b. This may require additional groups to be set up without additional fees from the DfE.
2. Develop a clear strategy to demonstrate the effectiveness and efficiency of local / regional procurement arrangements.
 - a. Produce a co-ordinated plan for delivering capital projects across the regions.
 - b. Clarify how the Halton Local Education Partnership can be used to deliver a number of projects throughout the surrounding areas and provide an effective and efficient form of procurement.
3. Review the maintenance processes and contracts currently in place to determine if they are fit for purpose.
 - a. Halton are currently reviewing the Mechanical and Electrical maintenance contract to ensure that it will deliver value for money.

6.0 PRIORITY SCHOOL BUILDING PROJECT

- 6.1 On 19th July 2011, the Local Authority was informed that the DfE were commencing a privately financed programme to provide school facilities for those schools in the worst condition.
- 6.2 The programme is expected to support between 100-300 schools in total covering a mix of primary, secondary, specials schools and sixth form colleges. With approximately 20% of the programme being delivered each year over the next 5 years with the first schools to open in academic year of 2014-15.
- 6.3 To be considered for inclusion the Local Authority and school must accept the following:
- 6.4
 - The school will be part of a 27 year private finance arrangement including soft services (cleaning, pest control, waste management, caretaking, security and grounds maintenance)
 - The contract will be procured by a central body and that each school will be batched together with a number of other schools not necessarily in the same geographic area. There is a possibility that the LA or school could be the contracting party.
 - The procurement will be based on standardised designs.
 - The school will be required to make a contribution to the annual revenue payments of the private finance contract.

- The school will need to be able to show sufficient long term pupil demand.

6.5 Key Dates

- Deadline for Registration 12:00 7th October 2011
- Deadline for submission of applications 12:00 14th October 2011
- Notification of outcome December 2011

6.6 Identifying schools that meet the criteria

In addition to the conditions listed in para 6.4 above, only schools that have demonstrable Priority level 1,2 or 3 condition issues that are above 30% of the PfS calculated rebuild figure will be considered.

- 6.7 The LA will therefore review the condition information held for the all schools to identify if an application could be submitted.

6.9 Issues with submitting an application

There is not much detail in the information provided with the application forms and therefore there are a number of issues and concerns that have been identified. They are:

- The level of funding being suggested by PfS for a new building is significantly reduced from previous levels (approximately a third to a half of previous levels). This then translates into the new buildings being significantly smaller than the current designs. The schools would need to understand and agree that they will be able to operate in smaller environments.
- The role of local authority and schools in contract management is unclear. The impact of local stakeholders in the decision process is also equally unclear. Understanding how the local context will be incorporated in to the schemes is important and will need to be understood before proceeding beyond the feasibility stage.
- Not enough information has been provided for the Authority to understand the nature of the financial deal. Therefore it is not understood if the local authority will need to contribute financially to the projects or underwrite any costs. The current PFI (The Grange) is costing the school an extra £75 per pupil per annum, it is unknown if a similar fee is payable, however as the schools are smaller and cheaper it is assumed that any fees will be likewise reduced.
- Should the Authority be successful with any application it may make then financial expertise will be required to evaluate the financial cost to the authority and undertake cost benefit analysis, no funding has been identified for this expense..
- The implications of not submitting an expression of interest will also need to be considered.

6.10 **Recommendation**

As the application is only an expression of interest it is recommended that an application is submitted for all schools that fulfil the 30% condition criteria.

7.0 **FINANCIAL IMPLICATIONS**

- 7.1 If the applications are successful a full review of the financial implications will be undertaken and will be brought back to the executive board for final approval.

8.0 **IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

8.1 **Children & Young People in Halton**

If successful, any resulting new school would enrich the local community it served and will benefit all pupils that attended the schools from 2014 and beyond, providing modern a 21st century learning environment.

8.2 **Employment, Learning & Skills in Halton**

It is hoped that a new build programme in Halton would enhance the local work opportunities, but this would be dependant on the procurement method adopted.

8.3 **A Healthy Halton**

Any new school will be provided with excellent sports facilities and the capital investment will provide kitchen and dinning facilities which will encourage healthy living and eating.

8.4 **A Safer Halton**

Any new school would be designed to ensure that children, staff and other community users feel safe and secure on school sites.

8.5 **Halton's Urban Renewal**

The creation of any new school would become a major resource for the communities they serve.

9.0 **RISK ANALYSIS**

- 9.1 The DfE have not announced any other method of securing funding for any major building project. It is anticipated that further funding would be made available for refurbishment work in the future but it is not expected for some time. Therefore although the Priority Schools Building Project may offer smaller, standard designs it is the only opportunity at present to secure funding.

- 9.2 Additionally, the application is only an expression of interest and if the offer proves to be unsatisfactory in terms of cost or design the Local Authority does not need to proceed with the application.

10.0 EQUALITY AND DIVERSITY ISSUES

10.1 The advisors would be expected to comply with the Council policies relating to equality and diversity.

11.0 REASON FOR DECISION

11.1 If the Authority is successful in securing funding this will provide funding to rebuild the Halton schools with the worst condition issues.

12.0 ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

12.1 Consideration has been given to the option of not submitting an applications form. This was rejected as this is the only funding available for the LA to bid for to rebuild its primary and secondary schools with the worst condition issues.

13.0 IMPLEMENTATION DATE

13.1 Local Authorities must register by 7th October 2011 and complete and submit any application by 12 noon on Friday 14th October 2011.

14.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

Document	Place of Inspection	Contact Officer
Sebastian James' Review of Education Capital	Dee 2 Grosvenor House	Katrina Hall – Divisional Manager – Transforming Children's Environment
DfE letter of 19 th July 2011 inviting applications for the Priority Schools Building Project	As above	Katrina Hall – Divisional Manager – Transforming Children's Environment

Appendix A – Summary of Sebastian James’s Recommendations

	Recommendation	DfE Comment
1	Capital investment and apportionment should be based on objective facts and use clear, consistently-applied criteria. Allocation should focus on the need for high-quality school places and the condition of facilities.	Accept.
2	Demand-led programmes, such as Free Schools, are most sensibly funded from the centre and a centrally retained budget should be set aside for them.	Accept. In addition, budgets for new University Technical Colleges, Studio Schools, initial funding for sponsor academies and for secure accommodation can also be held centrally.
3	The Department should avoid multiple funding streams for investment that can and should be planned locally, and instead apportion the available capital as a single, flexible budget for each local area, with a mandate to include ministerial priorities in determining allocations.	Would like to consult further , to ensure that the risks and benefits of other approaches can be discussed
4	Notional budgets should be apportioned to Local Authority areas, empowering them fully to decide how best to reconcile national and local policy priorities in their own local contexts. A specific local process, involving all Responsible Bodies, and hosted by the Local Authority, should then prioritise how this notional budget should be used.	Would like to consult further , to ensure that the risks and benefits of other approaches can be discussed.
5	The local prioritisation decisions should be captured in a short local investment plan. There should be light-touch central appraisal of all local plans before an allocated plan of work is developed so that themes can be identified on a national level and scale-benefits achieved. This must also allow for representations where parties believe the process has not assigned priorities fairly.	Accept , subject to consultation on how a light-touch plan can best capture the appropriate capital projects across all relevant responsible bodies. An initial plan will be sought in 2012.
6	Individual institutions should be allocated an amount of capital to support delivery of small capital works and ICT provision. Wherever possible, this should be aggregated up to Responsible Bodies according to the number of individual institutions they represent, for the Responsible Body then to use for appropriate maintenance across its estate, working in partnership with the institutions.	Accept , though upwards aggregation will be solely voluntary.
7	The Department ensures there is access to clear guidance on legal responsibilities in relation to maintenance of buildings, and on how revenue funding can be used for facility maintenance.	Accept.
8	That the Department <ul style="list-style-type: none"> • gathers all local condition data that currently exists, and implements a central condition database to manage this information. • carries out independent building condition surveys on a rolling 20% sample of the estate each year to provide a credible picture of investment needs, repeating this to develop a full picture of the estate’s condition in five years and thereafter. 	Accept. Consultation on how to do this most efficiently and quickly, with an emphasis on testing what needs to be collected and; how best this should be applied to allocations.

	Recommendation	DfE Comment
9	That the Department revises its school premises regulations and guidance to remove unnecessary burdens and ensure that a single, clear set of regulations apply to all schools. The Department should also seek to further reduce the bureaucracy and prescription surrounding BREEAM assessments	Accept , for separate consultation later in the year.
10	There should be a clear, consistent Departmental position on what fit-for-purpose facilities entail. A suite of drawings and specifications should be developed that can easily be applied across a wide range of educational facilities. These should be co-ordinated centrally to deliver best value.	Accept . The development of specification and drawings will include consultation.
11	The standardised drawings and specifications must be continuously improved through learning from projects captured and co-ordinated centrally. Post occupancy evaluation will be a critical tool to capture this learning.	Accept , but will consult further and fully, separately as part of implementation.
12	As many projects as possible currently in the BSF and Academy pipeline should be able to benefit from the Review's findings to ensure more efficient procurement of high quality buildings. This should be an early priority to identify where this could be done.	Accept .
13	That the Central Body should put in place a small number of new national procurement contracts that will drive quality and value from the programme of building projects ahead.	Accept in principle , subject to consultation on the type and scale of projects that are potentially best procured through national procurement routes, and the criteria under which alternative local or regional procurement routes can demonstrate they are capable of delivering similar or better results.
14	That the Department uses the coming spending review period to establish a central delivery body and procurement model, whereby the pipeline of major projects – to a scale determined by the Department – is procured and managed centrally with funding retained centrally for that purpose.	Accept in principle , subject to consultation on the type and scale of projects that are potentially best procured centrally, and the criteria under which alternative procurement arrangements – particularly regional partnerships - can demonstrate they are capable of delivering similar or better results. Also to explore how learning on the build process can be captured from across the system and accumulated in order to grow overall expertise and generate incremental savings.
15	The Department quickly takes steps to maximise the value for money delivered through maintenance and small projects and puts in place a simple and clear national contract to make this happen.	Accept , subject to consultation on where national contracts can offer better value than good existing local or regional arrangements.
16	That the Department revisit its 2004 Cap Gemini report and implement proposals where they are appropriate.	Accept .

Appendix B – The Review of Education Capital Report Recommendations

A discussion on the implications of the key recommendations is given below.

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

Recommendations

‘Review of Education Capital: Sebastian James, April 2011’

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

R8 That the Department gathers all local condition data that currently exists, and implements a central condition database to manage this information and carries out independent building condition surveys on a rolling 20% sample of the estate each year to provide a credible picture of investment needs, repeating this to develop a full picture of the estate’s condition in five years and thereafter.

The DfE accepted that although they already collect pupil place data they do not collect condition data. The DfE have agreed to immediately start work on collecting data on the condition of buildings. However, due to the huge costs involved in introducing centralised data gathering based on ‘condition’ and the need to keep data continually refreshed, they are seeking consultation on the best collection method. The suggestion is that if good quality and current condition data is already held locally could it be utilised at a national level to allow funding to be allocated.

The movement away from duplicate surveys and the support of the local commissioning and ownership of local school condition surveys is welcomed. The added benefit would be a locally held understanding of the condition of all educational establishments within its area (i.e. including VA, Academy and Free schools).

It should be noted that there is no mention of Suitability as a criterion for determining funding. Therefore funding will only be made available for maintenance condition work and not for developing assets to enable new learning methods to be adopted.

Flexible Capital Budget with Local Decision-making

Recommendations

‘Review of Education Capital: Sebastian James, April 2011’

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

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

determining allocations.

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

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

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

The DfE agrees that some funding should be retained centrally for demand-led programmes such as Free Schools with the bulk of funding being allocated to local authority areas in a single pot for local prioritisation through a process overseen by the local authority. However, prior to implementing such a process the DfE want to ensure that all Responsible Bodies are content that their interests and needs are fairly considered.

The DfE are therefore seeking consultation on this process. Specifically, to understand how arrangements for prioritising any single pot would take account of all local Responsible Bodies views and interests in a robust and fair way without unnecessary bureaucracy. They want to understand how quickly it would be feasible to put such arrangements in place, and what a phased implementation could look like.

To assist with this transition, the DfE are suggesting that 2012-15 could be a transitional period, with budgets being allocated largely on the same basis as 2011-12 but with some of the ring-fenced programmes currently managed centrally, for example maintenance of Academies and Sixth Form Colleges, being managed locally.

However, the DfE are also considering options for allocating maintenance capital to certain Responsible Bodies i.e. Academy sponsors and Diocese, so that they can apply it strategically across their entire estates. They are also planning to allocate an amount of capital to support delivery of small capital works and ICT provision directly to schools (as currently provided through Devolved Formula Capital).

They would like to understand how interested parties in local areas are already taking steps to work together on strategic capital investment decisions. To this aim the DfE are requesting that an initial Local Investment Plan is produced in spring 2012. This would draw as necessary from the respective plans that all Responsible Bodies may make for their own allocations. This would promote collaborative working and planning, and would enable the Department to identify common programmes of work across the country and give the opportunity for better procurement and more value for money.

It is noted that the James Review recommends a 'light-touch central appraisal' of all Local Investment Plans to enable all national level themes to be established but does not identify how this would work. It is further noted that although the report recommends that LAs should facilitate the formulation of the Local Investment Plan it will not receive funds to carry out any of the work identified until the Central Body has approved the plans. In addition, any Major Works approved will be dealt with at a National level and the sums to conduct any smaller works will be issued to the Responsible Bodies (not necessarily the LA) for implementation.

National Contracting and Procurement

Recommendations

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

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

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

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

Although the review proposes that a national procurement contract is established and that the central body undertakes the project management of major projects, the DfE understands that there are currently local and regional procurement models in place which deliver on time and with value for money. Therefore they aim to establish a highly professional and increasingly experienced delivery Central Body which is targeted to achieving continuous improvement.

There is a recognition that there are currently a range of local and regional procurement models in existence, including Regional Improvement and Efficiency Partnerships and Local Educational Partnerships, which are already driving improvements and which can also respond appropriately to the local context, for instance in supporting small and medium enterprises. The DfE understand that decentralisation, putting decision-making and control over public assets and services closer to the front-line, has been clearly shown to provide a powerful driver for improvement but still assert that there are also important benefits to be gained by taking action on a larger scale with central leadership.

Nevertheless, the DfE state that they do not intend to over-ride existing local or regional arrangements where they are shown to be efficient and effective at building or improving schools. Therefore they have devised a couple of procurement options:

- The use of national frameworks, standardised designs and contracts, and central management of the build process for all projects over a certain size or type, but with Responsible Bodies allowed to opt out of central frameworks and central project management where they could demonstrate local or regional arrangements are in place which would achieve the same benefits.

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

Clear Guidance

Recommendations

‘Review of Education Capital: Sebastian James, April 2011’

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

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

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

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

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

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

One of the concerns raised by the review was the lack of learning and systematic improvement of quality, cost and time from one school building project to another. This has been caused by a lack in clarity of guidance and direction. The DfE have confirmed that they plan to comply with all the recommendations in the James Review that relate to guidance and direction to ensure that learning is passed through projects rather than each project starting from scratch.

Specifically the DfE are concerned that the previous design and procurement process resulted in most schools designs being bespoke. The DfE are therefore commissioning a suite of drawings and specifications that can easily be applied across a wide range of projects. The DfE stressed that they are not aiming for a “one-size-fits-all” solution but would want to see really good fit for purpose designs that are sustainable, flexible and can appropriately reflect local conditions and needs. They will include extensions, partial rebuilding and individual blocks, as well as whole-school solutions. They intend consult further on these matters as the designs are developed.