

Review of Education Capital

Background

1. Sebastian James, Group Operations Director for Dixons, led an independent review of the Department for Education's approach to Capital. The Review considered how the Department could achieve better value for money and improve efficiency in capital investment considering the current tight fiscal climate, significant changes in the schools system including the expansion of Academies and the creation of Free Schools and the aims of the Government's new Construction Strategy (building a more informed client for the public sector).

Key Findings

2. The Review concludes that the public are being let down due to complex and multiple funding streams, a lack of information about the condition of school buildings, inefficient design processes and a failure to make use of scale in procurement. It proposes that the aims of the capital expenditure in education should be to build good, fit-for-purpose facilities and to look after them over their lifetime.
3. The review lists the key challenges faced by schools capital investment nationally:
 - a) Demographic Shift: the need for basic need places first in primary and later on in secondary schools (the cost of which have not been evaluated as it is complex and difficult to estimate);
 - b) Potential Backlog of Basic Maintenance is £20 billion to raise the standards of buildings to the acceptable levels;
 - c) The cost of keeping current school buildings "water tight" is estimated at £1.6 billion
 - d) Only £15.8 billion is available during the next 5 years
4. The recommendations try to address four main issues in the schools' capital system:
 - a) Where the money is spent? How do we allocate monies available to improve the school estate? The cheapest way of saving money is to ensure that it is not spent in areas where it does not need to be spent. We have a complex allocation system with multiple funding schemes.

Response: a single pot of capital allocated on fact-based approach (basic needs and condition of the building) to a local area based on a local plan ensuring the strategic use of monies available.

- b) The way in which we design and procure new buildings is complex and cumbersome. There are significant inefficiencies in building design and procurement.

Response: using standard design templates and capture and harvest the body of learning built (the next school is always better and cheaper and quicker to build and possibly pre-passing regulatory approvals)

- c) How do we deliver capital projects and by whom? We do not have an effective an intelligent client and there is a lack of expertise when it comes to delivering new buildings.

Response: concentrated intelligent client with a real experience and a mandate to engage with the construction supply base to ensure continuous improvement

- d) How do we look after our buildings? We do not know the condition of our buildings. In addition school premises' regulation and guidance are overly complex.

Response: the aggregation of funds to make strategic decisions to spend over a period and the tracking of condition of the estate based on an agreed definition of what the fabric of the building should be (i.e. basic standards for the fabric of school buildings)

The Government's Initial Response

5. On Tuesday 19 July the Government provided an initial response to Sebastian James' review of education capital. The response accepts many of the review recommendations subject to consultation. In summary the Government agreed that:
- a) the Department for Education must immediately start work to collect information on the building condition of the education estate, and have robust data on where additional school places are needed;
 - b) the funding available should be used efficiently, allocated by a funding formula that addresses greatest need;
 - c) there should flexibility in how best to deploy the available funding locally, with partners working together strategically to agree priorities.¹
 - d) there are clear potential efficiency benefits from using a more centralised approach for procurement and building project delivery,

¹ The government reports that it wants to consult on a wide range of models for how best to achieve this in the allocation of capital funding.

and overall the government wishes to move in this direction. However, the government does not intend to over-ride existing local or regional procurement and project delivery arrangements where they are shown to be as efficient and effective at building or improving schools to a high standard. It wants to enable local contractors to be able to compete for business, where they could deliver projects at better value and therefore it will consult on all these issues further.

- e) standardised designs and specifications for school buildings will be procured immediately but there will not be a blanket "one-size-fits-all" solution. The government wants to promote really good fit for purpose designs that are sustainable, flexible and can appropriately reflect local conditions and needs.²
 - f) there is a need to revise the school premises regulations and guidance, so that a single, clear set of regulations applies to all schools.³
6. The government also reports that the scale and pace of change to the current system needs to be proportionate to the benefits that can be achieved, and taken forward consultatively with partners. This suggests a phased implementation.
7. The deadline for responding to the government consultation is 10th October 2011.

² There will be further consultation on these matters as the designs are developed, in a separate exercise.

³ The full proposals will be developed and consulted upon in due course