House of Commons
Public Accounts Committee

Building Schools for the Future: renewing the secondary school estate

Twenty-seventh Report of Session 2008–09

Report, together with formal minutes, oral and written evidence

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The Public Accounts Committee

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Publication

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at http://www.parliament.uk/pac. A list of Reports of the Committee in the present Session is at the back of this volume.

Committee staff

The current staff of the Committee is Mark Etherton (Clerk), Lorna Horton (Senior Committee Assistant), Pam Morris (Committee Assistant), Jane Lauder (Committee Assistant) and Alex Paterson (Media Officer).

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Contents

Report

  Summary 3
  Conclusions and recommendations 5
  1 Building educational objectives 7
  2 Delivery through Local Education Partnerships 10
  3 Central programme management 13

Formal Minutes 16

Witnesses 17

List of written evidence 17

List of Reports from the Committee of Public Accounts 2008–09 18
Summary

The Department for Children, Schools and Families’ Building Schools for the Future Programme (BSF) plans to renew every secondary school in the country, by rebuilding half of them, structurally remodelling 35%, refurbishing 15% and providing Information Communication Technology to all. Its aim is to use capital investment in new buildings as a catalyst to improve educational outcomes. The Department estimates that the programme will cost £52–£55 billion over its lifetime.

The Department was over-optimistic in its original planning assumptions for BSF, creating expectations for the speed of delivery that could not be met. Of the 200 schools originally planned to be completed by December 2008, only 42 had been by that date. Although the Department had hoped to deliver the programme over 10–15 years, it now expects it to take 18 years, with the last school completed in 2023.

Local authorities are responsible for the local delivery of BSF. They plan, procure and manage the BSF school buildings. In 2004, the Department established Partnerships for Schools to manage the national delivery of the programme. It also invited Partnerships UK, a joint venture between the Treasury, Scottish Ministers and private companies with an interest in public-private partnerships, to provide advice and help manage Partnerships for Schools.

The Department and Partnerships for Schools encourage local authorities to procure their schools through a Local Education Partnership. These are 10-year partnerships to procure a flow of projects, structured as joint ventures between the local authority, a consortium of private companies that build, finance and maintain schools, and Building Schools for the Future Investments (a joint venture between the Department and Partnerships UK).

It is too early to conclude whether BSF will achieve its educational objectives. To date, over-optimism has meant the programme could not live up to expectations. Establishing Partnerships for Schools to manage the programme centrally has helped local authorities to deliver more effectively, but while Local Education Partnerships have potential advantages, their value for money is yet to be proven. And it will be very challenging to deliver all schools by 2023.

On the basis of a report by the Comptroller and Auditor General, the Committee took evidence from the Department for Children, Schools and Families about the cost and progress of the programme, the use of Local Education Partnerships, the efficiency and effectiveness of the central programme management and the effect of the recession on the programme.

1 C&AG’s Report, Building Schools for the Future Programme: renewing the secondary school estate, HC (2008–09) 135
Conclusions and recommendations

1. BSF is an important part of the Department’s efforts to improve educational attainment and the life chances of children, but the Department has not explained what success looks like. The Department should define the full benefits it wants BSF to achieve and develop a set of measurable indicators against which it can monitor the success of the programme and assess options.

2. The Department’s poor planning and persistent over-optimism has led to widespread disappointment with the programme’s progress and reduced confidence in its approach and ability to include all schools by 2023. Such over-optimism is systemic across the Civil Service’s planning of major projects and programmes. The Department should review the reasons why it was over-optimistic and, with the help of the Cabinet Office and the Office for Government Commerce, disseminate lessons across Whitehall.

3. The Department and Partnerships for Schools appears complacent about the challenge of renewing all secondary schools by 2023. Doing so requires:
   - the doubling of the number of schools in procurement and construction;
   - 8 or 9 Local Authorities to start BSF a year, and
   - the construction of 250 schools a year from 2011 onwards.

   Current promises to increase the pace of the programme are not sufficient to meet this. The Department and Partnerships for Schools should set out a detailed plan of how it intends to increase the pace of delivery and finish the programme on time.

4. The Department and Partnerships for Schools has wasted public money by relying on consultants to make up for shortfalls in its own skills and resources. The Department should avoid making false economies in central administration, whilst Partnerships for Schools should target its resources where they can have the most effect. Both bodies should plan their required level of skills and resources to avoid costly reliance on consultants for core roles.

5. The value for money of using Local Education Partnerships (LEPs) has still to be proved. LEPs offer the potential to achieve procurement and partnering efficiencies, but only if they can be made to work in practice and if the actual savings over their lifetime outweigh the high upfront costs of procurement. Partnerships for Schools should establish systems to measure the full costs and benefits of each LEP and provide guidance to local authorities, their contractors and schools on how to achieve the benefits.

6. Schools and local authorities are provided with little support to achieve the educational aims of BSF. The Department and Partnerships for Schools should provide guidance on how to introduce structured, standardised and systematic benefits realisation processes, focused on achieving the national and local education objectives.
7. The Department plans that most BSF schools will be procured without competitive tendering. Although LEPs have a number of governance and contractual mechanisms to control costs, local authorities will need to rely mostly on cost comparators to assess the value for money of each project.

8. Partnerships for Schools has yet to provide local authorities with enough information to build cost comparators and compare the price of each project. Partnerships for Schools should, as a matter of urgency, produce comprehensive cost comparators covering all costs of new and refurbished schools, including their building, maintenance, information communication technology capital and revenue, procurement, and contract management. Doing so will allow judgements to be made on the value for money of each project and the comparison of procurement routes.

9. The remuneration arrangements for Partnerships UK cost too much and do not help the programme meet its aims. It should not be necessary to develop complex commercial agreements and pay Partnerships UK high investment returns to motivate it to provide the help and support that is central to its mission statement. The Department should pay for support it needs from Partnerships UK through a straightforward fee.

10. The Treasury has recently announced that the Government will provide debt financing of BSF private finance initiative projects where sufficient private debt financing is unavailable and the project has started procurement. For such projects, Partnerships for Schools should help local authorities to assess whether the overall sharing of risks and rewards is still appropriate.
Building educational objectives

1. The Building Schools for the Future Programme (BSF) is intended to renew all 3,500 English secondary schools, by rebuilding half of them, structurally remodelling 35%, refurbishing 15% and providing all of them with new information communication technology equipment, at an estimated capital cost of £52–£55 billion.²

2. The Department for Children, Schools and Families (the Department) wants BSF to improve educational attainment and the life chances available to children by providing educational, recreational and social environments that support modern teaching and learning methods. It wants the buildings to be used by local communities and to respond to developing needs. And it wants BSF to support local reorganisation of secondary schools to reflect demographic needs and a greater diversity of provision.³

3. The Department says that it will judge the success of projects by their impact on these educational outcomes. In response to the Comptroller and Auditor General’s report, it has developed a dashboard of indicators that includes educational outcomes in order to assess the performance of Partnerships for Schools, the incorporated non-departmental public body established in 2003 to manage the national delivery of programme.⁴ It has also commissioned annual external evaluations of the programme’s effect on education.⁵ It has not, however, published a set of measurable national objectives that capture the full range of the Department’s intentions for the programme, nor defined how providing new buildings will aid improvements to education.

4. The Department was over-optimistic in its planning of the programme.⁶ In 2003, the Department said that it wanted to deliver the BSF programme over 10 to 15 years (2005–2015 or 2005–2020). It now plans to have all schools underway by 2020, meaning the programme will be delivered over 18 years (2005–2023).⁷ It also said that the first 200 schools could be built by December 2008. Instead, the first 200 will now be built by September 2010.⁸

5. The Department’s compressed timetable for launching the programme and using its initial allocation of funding was not realistic. In 2003, it said that funding would start in 2005–06, even though:

- this estimate allowed no time to launch Partnerships for Schools;
- it required local plans for each school estate to be developed and approved as quickly as the Treasury was then taking just to approve plans for single PFI deals, and

² Q 1
³ Qq 95–96; C&AG's Report, paras 1–2
⁴ Q 11
⁵ Qq 42–45
⁶ Qq 15–20
⁷ Q 14
⁸ C&AG’s Report, para 2.5
• it required all the procurement to be as quick as the quickest ever school PFI deal.9

6. Although the Department was advised on its timetable and assumptions by both Partnerships UK and Partnerships for Schools, they did not test the assumptions against similar projects and programmes.10 Had the Department and its advisors done so, they would have realised that the plans were unachievable. They knew, for example, that 18 months was the quickest anyone had managed to procure a PFI school, but stated that BSF pilots would be that quick and the next wave of projects would be quicker, despite Local Education Partnerships being a new model, and more complicated to procure.11

7. The Department remains confident that its poor planning has not adversely affected the quality of the schools being delivered or its ability to include all schools by 2023.12 But poor planning has heightened expectations and created disappointment. This has diminished the effectiveness of BSF by reducing the confidence of local authorities, contractors, and schools in the programme.13

8. Poor planning also led to an inappropriate allocation of resources. In 2006–07, the Department did not use £717 million of its capital grant budget, due to delays in the programme, and this money could have been usefully deployed elsewhere.14 The Department also moved resources away from BSF to use them for less strategic programmes.15

9. Such poor planning is not unique to BSF. This Committee has seen many programmes over the years where poor planning and over-optimistic assumptions have led to cost and time overruns, including the Olympics, major defence procurement projects, the Department for Health’s National Programme for IT, and the modernisation of the West Coast Main Line.16 In all these programmes, over-optimism at the start led to eventual cost or time overruns, leading to damage to the reputation of the programme and a reduction in public goodwill towards it.

10. Although the Department and Partnerships for Schools have committed themselves to increasing the pace of the programme, current commitments are not enough to deliver all schools by 2023. Partnerships for Schools has promised to increase the pace of delivery to 200 schools a year from 2011 onwards, but delivery would need to increase to 250 schools a year on average from 2011 onwards to deliver all 3,500 by 2023.17

9 C&AG’s Report, paras 2.6, 3.2
10 Qq 15–16
11 Q 15; C&AG’s Report, paras 2.6, 2.12
12 Qq 1–2, 16
13 Qq 17, 85–86; C&AG’s Report, paras 3.32–3.34
14 Department for Education and Skills, Resource Accounts 2006–07, page 15
15 C&AG’s Report, para 2.9
17 Qq 1, 16
11. Partnerships for Schools has also promised that the number of schools in construction will increase to 300 in the summer of 2010. This depends on all the schools currently in procurement finishing on schedule. To deliver all 3,500 schools by 2023, however, Partnerships for Schools will need to increase further the number of schools in construction and procurement to 800 at a time by December 2011, meaning that at least 145 schools that have not yet started their planning will need to be in procurement.

12. Delivering all schools by 2023 requires the doubling of the number of schools in procurement and construction at any one time over the next three years, an additional eight or nine Local Authorities to start BSF each year for the next eight years and spending an additional £0.9 billion to £1.2 billion annually from 2011 onwards. We have recently heard how the Learning and Skills Council failed to manage an acceleration in the programme of renewing Further Education Colleges, leading to it being unable to afford the number of projects in the pipeline of procurement and construction. The Department and Partnerships for Schools have exercised better control over the overall scope, flow and cost of BSF, but they are facing a similar acceleration in the number of projects they support, as well as a large funding gap.

13. For BSF to improve the quality of education, local authorities and schools will need to do more than provide new buildings. The Academies programme aims to improve educational attainment in deprived areas by replacing poorly performing schools with new independent schools. The Department provides considerable support for the change management and start-up of each Academy. In BSF, the Department requires local authorities to set out strategic plans for how they will achieve improvements in education as part of the BSF approval process for the capital funding. Local authorities and schools are jointly responsible for planning, funding and delivering educational changes, including changes to the curriculum, teaching methods, and how the new facilities will be used.

14. The Department provides training and support to schools and local authorities at the early planning stage, through the National College of School Leadership. School leaders, however, manage the transition and early operational stages without central support and often feel left to manage alone. There is little consistency in the educational targets chosen by local authorities, and some schools have been late to plan for, and implement, changes, including training and employment arrangements for staff to be transferred to the contractors.
2 Delivery through Local Education Partnerships

15. Local Education Partnerships (LEPs) are joint ventures between a local authority, Building Schools for the Future Investment (a joint venture between the Department and Partnerships UK), and a consortium of contractors. They are a new way of procuring a flow of projects, developed with the aim of achieving:

- procurement efficiencies and improvements in partnering;
- quicker, cheaper and more effective development of projects;
- the integration of the supply chain;
- the joining up of projects, and
- incentives for the contractors to contribute to wider social aims.\(^\text{27}\)

16. By December 2008, 15 local authorities had established a LEP, compared to nine that had finished their procurement without one. The proportion using a LEP is expected to increase in future. So long as LEPs meet their contractual performance obligations, they have exclusive rights to scope and manage major education capital projects for the local authority, and to manage the supply chain for the construction, facilities management and provision of ICT of BSF schools.\(^\text{28}\)

17. Achieving value for money from a LEP requires:

- the economic pricing of each project delivered through the LEP, and
- the potential savings from procurement efficiencies and partnering benefits to outweigh the costs of establishing the LEP.\(^\text{29}\)

18. Although on paper LEPs look like they might provide cost benefits, it is too early to tell whether they will, and their value for money is unproven. The handful of schemes that have agreed terms for a deal through an operational LEP have found that using the LEP achieved time and cost savings, but too few local authorities have reached this stage to be able to assess whether these savings are likely to outweigh the cost of establishing the LEP.\(^\text{30}\) Partnerships for Schools has not managed to convince all local authorities of the potential benefits of a LEP, and has not put in place measures to evaluate whether those benefits are being achieved.\(^\text{31}\)

19. The Department and Partnerships for Schools believe that once local authorities have gained experience of a LEP, they become more convinced by this form of procurement.

\(^\text{27}\) C&AG’s Report, para 3.16
\(^\text{28}\) Qq 12–13, 80–82
\(^\text{29}\) C&AG’s Report, para 25
\(^\text{30}\) Qq 12, 40, 88; C&AG’s Report, para 3.28
\(^\text{31}\) Qq 85–88; C&AG’s Report, rec iii, paras 3.32–3.33
But only 14% of local authority BSF managers surveyed by the National Audit Office, most of whom had not yet established their projects, believed that their LEP would produce cost savings, and only a quarter said that overall it was a good approach.32

20. Most BSF schools are likely to be delivered through LEPs under exclusivity arrangements.33 Under such arrangements, instead of using competitive tendering of each project to provider assurance on their economy, LEPs use a variety of other means. In particular:

- when selecting a private partner and establishing the LEP, at least two schools are designed and costed in competition to provide a local benchmark of costs for the future projects;
- by using standard form contracts agreed when establishing the LEP and guaranteeing reduced prices for each project, LEPs hope to share the cost savings of long term partnering;
- there is also periodic market testing of sub-contractors and performance monitoring of the LEP itself, with the threat of terminating the exclusivity arrangements if the LEP does not meet the required level of performance,34 and
- some LEPs, called integrators, will hold competitive processes for selecting sub-contractors to scope each project.35

21. The main source of assurance, however, will be the benchmarking of the costs of each project as they are developed. Partnerships for Schools has developed a new benchmarking system to provide cost comparators to local authorities so they can assess the value for money of each project under LEP exclusivity arrangements. Once this is operating, it should significantly increase the ability of local authorities to judge the prices offered by bidders.36

22. Projects have been slow to provide data. Although projects are now required to give information within one month, Partnerships for Schools has so far been unable to collect sufficient data to publish cost comparators for every local authority in the programme. The system currently provides insufficient information on the whole life costs and the on-costs, including the administration, procurement, financing, maintenance, life cycle and PFI contract variation costs. This will limit the ability of local authorities to conclude on the value for money of each school or select a procurement route.37

23. So far, both the cost and time of establishing a LEP have been greater than they need be: £9 million to £10 million to procure a LEP and design the first projects, and an average of 102 weeks. The cost could be reduced by up to a third by preventing avoidable delay to the
projects, using fewer consultants to undertake core local authority roles, restricting the number of schools selected at the beginning and keeping to standardised documentation.38

24. The length of time in procurement appears to be improving, with the latest wave averaging 90 weeks. However, this figure still compares badly to the 77-week average length of successful procurements that have not used a LEP. When frameworks can be used, they are likely to be cheaper and quicker than a LEP.39

25. Partnerships for Schools has not done enough to ensure that LEPs work well in practice. The first LEPs had difficulties in establishing effective working arrangements and relationships between local authorities and private sector partners, leading to delays in the development of projects.40 Partnerships for Schools, local authorities and bidders appear to have been too caught up in the negotiation process and in hitting delivery milestones to pay sufficient attention to the operational stage.41

26. The Department has allocated 41% of BSF capital funding for Private Finance Initiative (PFI) projects. The current economic recession and problems in the finance markets have made private finance expensive and difficult to find. So far, this has had a limited impact on the construction of schools due to the use of early works agreements, although the bidders for Newham’s PFI contract were unable to agree terms with their banks.42

27. The Treasury has recently announced that the Government will lend to projects that cannot raise sufficient debt finance on acceptable terms. It will lend alongside commercial lenders and the European Investment Bank, or provide the full amount of senior debt required by the project. The Treasury considers that switching between PFI and conventional funding once procurement has started would cause significant delays or risk project failing, as projects would need to start procurement again.43

28. Public debt finance will increase public sector risks and, although the taxpayer will be rewarded with a financial return, will alter the overall balance of risks and rewards. The Treasury has said that it will try to replace banks’ due diligence with an in-house team with professional lending skills.44

38 C&AG’s Report, para 3.25
39 Qq 60–64; C&AG’s Report, para 3.21, Figure 12, Appendix 4
40 C&AG’s Report, para 16
41 Qq 10–11
42 Qq 3–5, 30–31, 75; C&AG’s Report, paras 4, 6, 4.13
3 Central programme management

29. Central programme management has helped to deliver the programme more effectively. The decision to establish Partnerships for Schools has created central leadership for the programme, single point accountability for delivery and implementation, a conduit for learning and knowledge sharing, as well as a central pool of expertise to administer the programme, provide support to the Department and help local authorities.45

30. It took time to establish Partnerships for Schools as an effective organisation and to put in place the right leadership, creating at least a year’s delay to the programme and contributing to problems with the early projects.46 In addition, Partnerships for Schools has focused insufficiently on achieving the intended benefits of operational LEPs and the intended educational outcomes in schools.47

31. Although strong central programme management can be helpful to local projects, too much central control undermines local autonomy. Some local authorities felt forced to adopt a LEP against their own judgement of what produced the most value for money.48 The Department and Partnerships for Schools have said that local authorities are free to choose their procurement approach so long as they can demonstrate that their alternative will be value for money. So far, nine local authorities have done so.

32. Schools are also strongly encouraged to adopt the builders and managed service contracts for maintenance and information communication technology chosen by their local authority. Although they can opt out of the local authority’s procurement approach as long as they can demonstrate that their alternative will be value for money, no schools have done so.49

33. The Department and Partnerships for Schools spend £20 million a year on the administration costs of the central programme management. At 1% of the programme’s overall annual expenditure, this is comparable to similar programmes with central administration and devolved spending.50

34. Partnerships for Schools’ staff costs (salary, pensions and national insurance) are high, double those of the Department’s BSF staff. This cost difference reflects Partnerships for Schools use of specialist staff with skills needed to deliver the programme. These skills include professional procurement, project management, commercial, legal and Information Communication Technology skills, which are all in short supply across the programme.51

45 Qq 6, 21
46 Qq 65–72; C&AG’s Report, Appendix 2
47 Q 10; C&AG’s Report, para 16
48 Q 9
49 Qq 9, 48–50; Ev 15; C&AG’s Report, para 1.18, 3.13
50 C&AG’s Report, para 4.5, Appendix 2
51 Qq 22–23, 57, 91–93; C&AG’s Report, paras 3.8–3.12, 4.6, Appendix 2
35. Despite this high level of central resources, the Department and Partnerships for Schools paid £11.1 million to private consultants up to March 2008. The Department and Partnerships for Schools believe that these consultants have provided invaluable expertise in taking projects forward. They could, however, have reduced this expenditure by planning the level of skills and resources required to deliver BSF at the beginning of the programme and ensuring that private consultants did not undertake work that could be done in-house.

36. In perhaps the worst case of using consultants, the Department did not foresee that it would need its own in-house commercial expertise to provide oversight of the programme. So instead of employing someone directly on a full time basis, it became dependent on a single consultant, and ended up paying £1.35 million to KPMG over three years for this person.

37. The joint venture funding arrangement for Partnerships for Schools is designed to motivate Partnerships UK to provide top-level attention and greater in depth support and commitment towards BSF. Under the arrangement, the Department and Partnerships UK share the costs of funding Partnerships for Schools and, in return, the Department pays Partnerships UK a performance related return, which will cost the taxpayer up to £24 million over the programme. This payment represents a return to Partnerships UK of up to 13%, on top of its charge for providing staff and accommodation to Partnerships for Schools.

38. Partnerships UK’s financial return of up to 13% is dependent on the programme meeting certain key performance indicators. If projects are delayed, the rate of return is expected to fall.

39. The risk transfer to Partnerships UK is, however, incomplete. Although Partnerships UK’s payment is linked to the programme’s risks, this has not taken away the Department’s exposure to the risks or reduced the likelihood of them happening. For instance, the Department paid Partnerships UK to adopt the risk that the Department would cancel the programme, instead of agreeing to refund Partnerships UK if it did choose to cancel the programme. Most delay is in local project planning and procurement, and is unrelated to the quality of Partnerships UK’s advice.

40. The Department believes that it gets more from Partnerships UK under this approach than it would if it paid Partnerships UK through a straightforward fee arrangement. But it should not be necessary to pay Partnerships UK over-generously to give BSF sufficient

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52 Qq 21, 29; C&AG’s Report, para 4.7
53 Qq 7, 21, 25, 58–59, 93–94
54 Qq 7; C&AG’s Report, para 4.8
55 Qq 89–90; C&AG’s Report, paras 4.15–4.16
56 C&AG’s Report, paras 4.15, 4.17
57 Qq 89–90; C&AG’s Report, paras 4.15–4.17
58 Qq 89–90
attention. Partnerships UK is 49% owned by the Treasury and Scottish Ministers, and has a mission to support programmes of this type.\footnote{Q 74; Partnerships UK, Annual Report 2008, http://www.partnershipsuk.org.uk/}

41. Furthermore, the Department has not been able to enforce the link between the return and the programme risks. Despite the programme being 21 months delayed against the timetable that was based partly on Partnerships UK’s advice, Partnerships UK is due to be paid a return of 12.8% for its work so far, because the Department agreed to rebase the programme’s timetable in 2005.\footnote{Qq 1, 16, 26, 72, 74; C&AG’s Report, paras 4.15–4.18}

42. The cost of remunerating Partnerships UK through an equity-style return is therefore unnecessarily high.
Formal Minutes

Wednesday 13 May 2009

Members present:

Mr Edward Leigh, in the Chair
Mr Richard Bacon
Rt Hon David Curry
Mr Ian Davidson
Mr Nigel Griffiths
Rt Hon Keith Hill
Mr Austin Mitchell
Geraldine Smith
Rt Hon Alan Williams

Draft Report (Building Schools for the Future: renewing the secondary school estate), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 42 read and agreed to.

Conclusions and recommendations read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Twenty-seventh Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

[Adjourned till Monday 18 May at 4.30 pm]
Witnesses

Monday 23 February 2009

Mr David Bell, Permanent Secretary, Department for Children, Schools and Families, and Mr Tim Byles, Chief Executive, Partnerships for Schools

List of written evidence

Partnerships for Schools
<table>
<thead>
<tr>
<th>No.</th>
<th>Report Title</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>First Report Defence Information Infrastructure</td>
<td>HC 100</td>
</tr>
<tr>
<td>2</td>
<td>Second Report The National Programme for IT in the NHS: Progress since 2006</td>
<td>HC 153</td>
</tr>
<tr>
<td>3</td>
<td>Third Report Skills for Life: Progress in Improving Adult Literacy and Numeracy</td>
<td>HC 154</td>
</tr>
<tr>
<td>4</td>
<td>Fourth Report Widening participation in higher education</td>
<td>HC 226</td>
</tr>
<tr>
<td>5</td>
<td>Fifth Report Programmes to reduce household energy consumption</td>
<td>HC 228</td>
</tr>
<tr>
<td>6</td>
<td>Sixth Report The procurement of goods and services by HM Prison Service</td>
<td>HC 71</td>
</tr>
<tr>
<td>7</td>
<td>Seventh Report Excess Votes 2007–08</td>
<td>HC 248</td>
</tr>
<tr>
<td>8</td>
<td>Eighth Report Ministry of Defence: Chinook Mk 3</td>
<td>HC 247</td>
</tr>
<tr>
<td>9</td>
<td>Ninth Report Protecting the public: the work of the Parole Board</td>
<td>HC 251</td>
</tr>
<tr>
<td>10</td>
<td>Tenth Report New Dimension—Enhancing the Fire and Rescue Services' capacity to respond to terrorist and other large-scale incidents</td>
<td>HC 249</td>
</tr>
<tr>
<td>11</td>
<td>Eleventh Report The United Kingdom's Future Nuclear Deterrent Capability</td>
<td>HC 250</td>
</tr>
<tr>
<td>12</td>
<td>Twelfth Report Selection of the new Comptroller and Auditor General</td>
<td>HC 256</td>
</tr>
<tr>
<td>14</td>
<td>Fourteenth Report HM Revenue and Customs: Tax Credits and Income Tax</td>
<td>HC 311</td>
</tr>
<tr>
<td>15</td>
<td>Fifteenth Report Independent Police Complaints Commission</td>
<td>HC 335</td>
</tr>
<tr>
<td>16</td>
<td>Sixteenth Report Department for International Development: Operating in insecure environments</td>
<td>HC 334</td>
</tr>
<tr>
<td>17</td>
<td>Seventeenth Report Central government’s management of service contracts</td>
<td>HC 152</td>
</tr>
<tr>
<td>18</td>
<td>Eighteenth Report Investing for Development: the Department for International Development’s oversight of CDC Group plc</td>
<td>HC 94</td>
</tr>
<tr>
<td>19</td>
<td>Nineteenth Report End of life care</td>
<td>HC 99</td>
</tr>
<tr>
<td>20</td>
<td>Twentieth Report The Department for Transport: Letting Rail Franchises 2005–07</td>
<td>HC 165</td>
</tr>
<tr>
<td>22</td>
<td>Twenty-second Report The efficiency of radio production at the BBC</td>
<td>HC 225</td>
</tr>
<tr>
<td>23</td>
<td>Twenty-third Report Mathematics performance in primary schools: getting the best results</td>
<td>HC 44</td>
</tr>
<tr>
<td>24</td>
<td>Twenty-fourth Report Maintaining the Occupied Royal Palaces</td>
<td>HC 201</td>
</tr>
<tr>
<td>25</td>
<td>Twenty-fifth Report Management of tax debt</td>
<td>HC 216</td>
</tr>
<tr>
<td>26</td>
<td>Twenty-sixth Report Building Schools for the Future: renewing the secondary school estate</td>
<td>HC 274</td>
</tr>
<tr>
<td>27</td>
<td>Twenty-seventh Report</td>
<td></td>
</tr>
</tbody>
</table>
Oral evidence

Taken before the Committee of Public Accounts
on Monday 23 February 2009

Members present:
Mr Edward Leigh, in the Chair
Mr Richard Bacon Geraldine Smith
Keith Hill Mr Alan Williams
Dr John Pugh

Mr Tim Burr, Comptroller and Auditor General, Mr Ed Humpherson, Assistant Auditor General, and
Ms Patricia Leahy, Director, National Audit Office, gave evidence.
Mr Marius Gallaher, Alternate Treasury Officer of Accounts, HM Treasury, was in attendance.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

The Building Schools for the Future Programme (HC 135)

Witnesses: Mr David Bell, Permanent Secretary, Department for Children, Schools and Families, and
Mr Tim Byles, Chief Executive, Partnerships for Schools, gave evidence.

Q1 Chairman: Good afternoon. Today we are considering the Comptroller and Auditor General's Report on Building Schools for the Future, renewing the secondary school estate and we welcome back David Bell, who is the accounting officer and permanent secretary for the Department of Children, Schools and Families. We welcome for the first time Mr Tim Byles, who is the chief executive of Partnerships for Schools. You are both very welcome. What we are talking about here is an absolutely massive programme. There are 3,500 secondary schools in the country and the government is hoping to rebuild and refurbish all of them by 2020 at a cost of up to £55 billion. We are used to big money in this Committee but this is a huge project. Mr Bell, perhaps I could refer you to paragraph 23 to look at the overall cost and likelihood of success of this programme. We know this is hugely expensive. The Report tells us in paragraph 23 that the original expectations of how quickly schools could be built were overly optimistic. Partnerships for Schools are finding it very challenging to improve all 3,500 schools by 2020. Are these plans realistic, do you think?

Mr Bell: Yes, they are. You are absolutely right to highlight the fact that the original targets were overly optimistic. We rescheduled those targets from late 2004–05 and of course at this stage we have been in start-up mode. The reason I am confident in terms of the overall target is because, once the Local Education Partnerships are set up—I am sure we will come back to these later—we see those as the key local vehicle in a local authority area for bringing forward school buildings to time. By 2011, we are confident that we will have 200 schools a year at that point being opened and by 2020 we are hoping that every school will at least be in the early stages of the programme.

Q2 Chairman: What is the answer? Are we going to meet this target that half our secondary schools will be rebuilt by 2020, 35% will be extensively remodelled and the rest will be refurbished? Are you saying you can meet that target or not?

Mr Bell: Yes. I am confident that we can meet that target.

Q3 Chairman: If we read the Report, paragraph six says, “Over the course of 2008, difficulties in the banking sector reduced the amount of money available for banks . . . ”. We know this is going on and we know we are in difficult times. You are going to have to raise, if we read paragraph ten, nearly £1.5 billion a year of private finance. Can you do this?

Mr Bell: Yes. It is important to make the point that at this stage, to date, there have been no construction works or school openings delayed as a result of the credit crunch. We have had three projects already in 2009 signed off, including the most recent one, a £50 million project in Thameside. We do recognise that the circumstances are tighter, as the Report points out, but there is still a lively market here. There is still considerable interest in this scheme. I think it would be obvious too that, at a time when other building projects elsewhere across the economy are squeezed, a project like this is quite an attractive proposition for mainline builders and others who might come into the market.

Q4 Chairman: If that is your answer, is there a chance that you will have to use the government’s credit rating to pre-empt builders’ interests so they spend less on other desirable projects, housing for instance? This is such a massive programme that either you can raise £1.5 billion and you apparently think you can—
Mr Bell: Yes.

Q5 Chairman: That begs the question that if you are doing so how much of this spare money are you soaking up?

Mr Bell: Even before the credit crunch really took off in late 2007/8, it was already the case that builders and others were coming into this market and it did not appear to be creating difficulties elsewhere in the economy. In other words, house builders were continuing what they were doing and partnership bids were coming in for Building Schools for the Future. We have to recognise that elsewhere in the economy at the moment, if there is less house building and other kinds of development going on, this does represent a good proposition for companies who might otherwise be squeezed. We are confident we can raise this and I do not think that we are creating problems elsewhere in the economy. I think it is the opposite. We are helping the economy through these projects.

Q6 Chairman: Let us look at the structure. It is very complicated, is it not? If we look at this figure on page 16, paragraph six, it is so complex that only experts and consultants can understand it, in my view.

Mr Bell: I was hoping that you might even have referred to the simple version on page five. It is quite clear in terms of the respective roles and responsibilities. The department responsible for the overarching policy, Partnerships for Schools that Mr Byles leads, is responsible for the delivery and implementation. At local level, Local Education Partnerships are responsible for local plans. Both at national and local level we have an external financial investment. It seems to me that it is relatively straightforward.

Q7 Chairman: On this question of consultancy, if we read paragraph 4.8, was it really necessary for your department to pay KPMG £1.35 million over three years for the delivery of corporate finance services?

Mr Bell: No. We should not have done it. The reason it happened was because a consultant was originally employed to do a particular piece of work. The work that he was then asked to do expanded. For example, we brought the academies’ work into his remit. We then asked him to look at advising on the construction of Building Schools for the Future investments. As the Report points out, if we had known at the beginning that the scope of this individual’s work was going to expand so considerably, yes, it would have been much more sensible to have employed somebody full time. I regret the fact that we did pay this amount of money. We needed the expertise. There is no argument about that but, because of the way in which his work increased—in a sense, the more it increased the more we needed him—we ended up paying what we did and I do not think we should have done that.

Q8 Chairman: Mr Byles, bearing in mind what I have put to Mr Bell—this is dealt with in paragraph 2.4—you will have to double the number of schools that are in procurement and construction at any time over the next three years. It is a very challenging programme. Can you possibly deliver that?

Mr Byles: Yes, we can. The important thing to bear in mind here is the length of time it takes to conclude a deal and then to construct one. We have 100 schools under construction at the moment. In 18 months’ time there will be 300 under construction. 95% of the targets we have for this year are already contracted. 75% of next year’s are already contracted. Looking at it afresh, it might be difficult to appreciate the amount that is in the system but the trajectory of delivery is on target.

Q9 Chairman: We read in paragraph 3.34 that a few local authorities told us that they felt forced into adopting a Local Education Partnership against their own judgment. This sort of comment put to Mr Bell—this is dealt with in paragraph 2.4—suggests that if you are in a report like this because, as an enthusiast for local government, I see local government being downgraded all the time. Here they are being told what to do, how to do it. We are paying chief executives a lot of money now to run these local authorities. How much freedom of manoeuvre do they have? In the past this was a major point of being a councillor. You ran education in your area. Now they are so constrained. Does this worry you?

Mr Byles: As an ex-local authority chief executive myself, I do recognise the position. Our experience has been that it has been helpful for local authorities to look in detail at just what it means to set up a Local Education Partnership. Many who have been sceptical in the early days have come back to us wanting to have these kinds of partnerships. They do fit very well with the local community strategy function of local authorities and as a public private partnership help to deliver those things locally. A number of authorities came into BSF without having a Local Education Partnership. Two of them, Liverpool and Lambeth, have come back for their next wave asking to establish one.

Q10 Chairman: Do you think you can help them enough in the beginning? If we read paragraph 16, the message is that they felt perhaps you took too long to give them a guiding hand. First of all, having been forced into this structure, some of them felt perhaps they were not given enough help.

Mr Byles: What the Report is suggesting is that there were those who did not feel they were having enough help. The example I have is of a couple of authorities who, with support from us, went through their procurement without a Local Education Partnership and are coming back wanting one for the future. That is a pattern which we are seeing more generally. These procurements are complex. They are very large in scale. In the case of Kent, it is getting on for £2 billion-worth of procurement. It is important to have structures that are proper to test value for money and good procurement practice. When I was a local authority chief executive, I would have said to all comers, “Just let me get on with it”, I do recognise the use of having the rigorous support and challenge that can
be offered from the centre, helping them make a procurement decision which, at the end of the day, is theirs.

Q11 Chairman: Can I look at your bonuses? If we look at figure 20 on page 36, 70% of your bonuses are paid to you for delivering milestones but only 30% for delivering really good quality schools. Obviously the PAC will have to return to this issue in the next Parliament. There is no point in just building for the sake of building. We want to have good education. Is not the whole bonus structure rather tilted just to delivering government targets rather than delivering good quality education?

Mr Bell: I do not think it was unreasonable to have such a focus on the delivery of projects. We have to continue to keep that within the overall performance framework. We accept however the recommendation in the Report that we need, to use the Report’s words, a smaller number of categories within a dashboard which should take account of the progress against delivering milestones but also the quality as well as the educational outcome. I would not suggest up to now that we have been unmindful of quality. One of the distinguishing features of this programme is such a strong emphasis on the quality of design. In relation to the educational outcomes, we already have established a set of outcomes that we want to measure these projects by. I do not think any of us would argue that simply putting up a brand new building is going to improve the quality of education but, on the back of this investment, we should be seeing improvements. Therefore, we will have a smaller dashboard. It will take account of delivery of projects against milestones, quality of design and build and the educational benefits.

Q12 Keith Hill: The NAO tells us in paragraph 15 on page seven that the early evidence is that the Local Education Partnerships can lead to faster, more cost effective procurement for school projects. That is presumably in part because the developers are keen to outbid the competition. As you know, the Local Education Partnership gives the contractor or developer exclusive rights on schools developments over a ten year period. That is a local monopoly. How can you justify that?

Mr Byles: It is not a local monopoly, although some aspects of it could appear like that. The exclusive right to develop all schools in a local authority area is the competition that people enter into at the point of procurement, but there are several tests through the life of the Local Education Partnership to make sure that value for money is being maintained, not least through the use of the benchmarking system which we have introduced, which has already been very valuable for having real time cost information propositions that can be tested against. In the light of the LEP, there is also the opportunity at least at year five, for market testing in competition of the construction elements of the scheme. In the case of an “integrator” project, the kind of project arrangements that we have in Kent for example, that construction competition can take place for the delivery of every single school. It is not a single monopoly for the life of the project. There are a number of different tests which can be applied throughout the life. Each Local Education Partnership signs up for continuous improvement targets. In the case of Bradford, the one that springs to mind, there is a 3% improvement in costs each year.

Q13 Keith Hill: You obviously rely fairly heavily on the issue of benchmarking but if you look at the NAO’s recommendation (ii) on page nine and also at paragraph 2.18, it is pointed out that the projects have been slow to provide data and that Partnerships for Schools itself has not yet collected enough data for example to enable a judgment on overall value for money. When are you going to have this national benchmarking data adequately in place?

Mr Byles: We are taking on that data right now. We have cost information from 21 local authorities at the moment. We recognise the point that the Report makes about speed of collection. Indeed, all Local Education Partnerships now give us that information within one month of producing it. The pace of gathering this information has very significantly increased.

Q14 Keith Hill: If I can go back to basics, on the whole, this is a pretty wonderful programme. This is a pretty positive report from the NAO and PFS and their view is evidently that this has been something of a success. If one wanted to make a criticism of the programme, it is that it has been quite a lot slower than initially predicted. Why has the time frame of the programme slipped from between 10 and 15 years, as was announced in 2003, now to 18 years?

Mr Bell: There is a variety of reasons for that which the Report highlights. The assumptions were over optimistic. Whilst rightly starting work in those authorities that had the poorest educational outcomes, they under estimated the capability of those authorities to get the schools up and running. They also underestimated some of the national dimension of this work. The Report rightly points out that even getting aspects of the national funding structures organised did not happen. I think we take that one on the chin, as it were. Where we started was over optimistic. A plea in mitigation on this really has to do with all the variables in play. This is the most substantial schools building programme probably since public education started in the 19th century. We have an extended programme. We have every secondary school involved in some way or another. We have local authorities and the private sector involved, different streams of funding and so on. Whilst the ambition and the aspiration of the targets that were set off from were understandable, perhaps on reflection we were over optimistic, given the complexities.

Q15 Keith Hill: I accept what you say about the general benefits of the scheme. After all, I am a Labour MP. I have five secondary schools in my own constituency which are all benefiting from this. I agree it is a great programme but it is a bit odd that way back in 2004 your department assumed that
local authorities would take only six months to develop robust strategies and also, at the same time, you assumed that local authorities could procure Local Education Partnerships quicker than the quickest ever school private finance initiative. How on earth could you have allowed such unrealistic assumptions to be made? 

**Mr Bell:** It was, at that point, naively over optimistic. I do not think there is any point in trying to pretend otherwise. However, quickly after we recognised that those original targets were not going to be met, we restructured and reorganised the timetable in late 2004/early 2005. Against that revised timetable, we are now on track. That is why I could answer the Chairman confidentially when he asked me about the end point of the programme.

**Q16 Keith Hill:** Who was giving you your advice at that time? 

**Mr Bell:** Officials were looking at what was going on. Local authorities, it has to be said, were very keen to get up and running with this programme. Everyone was just buoyed up by that great opportunity that building schools for the future presented. Do not forget too that we were not doing this on our own. We were working alongside Partnerships UK. The lesson to learn is that when you are doing something of this scale, scope and complexity you should really test all your assumptions greatly. I do not think in the end it is going to have made a massive difference. In other words, I think we are still going to end up with a really good product as we go through this programme. But it is still pretty important to recognise that by the end of this year we will have 91 new schools open. Then it goes up to 161 and it is 200 the year after that.

**Q17 Keith Hill:** This kind of super optimism at the beginning of programmes is not unique to DCSF. It is something that we as a Committee constantly confront in looking at various departmental programmes. What is it about the ethos of government which leads to such unrealistic planning assumptions? 

**Mr Bell:** The Report recognises that although the total cost of the programme has increased that is largely down to the scope of the programme increasing and buildings cost inflation. Where that kind of over-optimism really starts to matter is where costs run out of control. The way we have constructed this programme is such that the risk and the cost controls lie at the local authority level. I think it avoids some of the dangers of that over optimism we see on other projects. Why does it happen more generally? I suppose there is a natural enthusiasm to see projects implemented as quickly as possible but, from our perspective, this is a really good example of where you should learn on a major project implementation and not over promise and under deliver. It is better to under promise and over deliver than the other way round.

**Q18 Keith Hill:** You suggest that maybe the officials ought to have on their walls the motto from that American television programme: “Curb your enthusiasm.”

**Mr Bell:** Enthusiasm is a good thing. I think you and this Committee would be concerned if there was a lack of enthusiasm for implementing the policies of the government of the day as civil servants should be doing but equally we have to temper that in providing the right kind of advice to ministers so that we do not allow our enthusiasm and their enthusiasm not to be realised in practice, because we end up in this kind of situation where you are asking us why we did not deliver against those over optimistic targets to begin with.

**Q19 Chairman:** On curbing enthusiasm, perhaps I can ask the Comptroller and Auditor General: you published a report this week on lessons to be learned across departments. We come across this again and again as a Committee. I do not understand why somebody does not just have written in red ink all over these new programmes, “Curb your enthusiasm. Just go a bit slower.”

**Mr Burr:** I do not think we used that phrase in the Report. I think we used the phrase “helping improve the uptake.”

**Q20 Chairman:** Can we learn lessons across Whitehall about what you have been asked over the last ten minutes? It must have been apparent to you that these objectives were just wildly over optimistic. I do not want to criticise Mr Byles, because it is not fair. 

**Mr Bell:** One of the things—I think the Report recognises this—that Mr Byles has done since taking over the leadership of Partnership for Schools is to really get us more into line against the objectives that we set. At a point where it as looking a bit uncertain, Mr Byles has brought us the kinds of disciplines and leadership to the programme which are very valuable.

**Q21 Geraldine Smith:** The whole procedure you go through does seem awfully complex just for basically building new schools and refurbishing schools and to set up this whole organisation, building schools for the future and Partnerships for Schools. £32 million over six years. It seems an awful lot of money and £11 million of that on consultants. What does the Department of Education do? Why can you not run the projects? 

**Mr Bell:** I speak as somebody with a local authority background as well. To start off with, you might think we used to build a school here and there and that is the difference. This is not just about building a school here and there. This is a major project at a local authority level and at a national level. One of the virtues of this has been that it has allowed local authorities to plan the places that they require and then have the buildings put in. Often in the past it was very piecemeal. I think you do need a more complicated but not an overly complicated structure to run this. You do need a national authority to set the objectives. We have found benefits in having a
national organisation like Partnerships for Schools to drive the delivery. Partly for the reasons that we have discussed already, it would be a bit odd asking 150 local authorities to learn all of this 150 times over. One of the virtues of Partnerships for Schools—and we have seen this more and more—is that they are able to bring what they learn in one local area into another. Also, I think we get the benefits of the local dimension. Each local plan is precisely that. It is set up locally and the contract that is offered is set up locally. I think we have a system that meets the requirements of a very complicated programme whilst allowing still a large amount of local ownership.

Q22 Geraldine Smith: How many people work for Partnerships for Schools?
Mr Byles: 115.

Q23 Geraldine Smith: An average salary of £85,000. How much are you paid as chief executive?1
Mr Byles: Just over £200,000. As the Report says, having this setup means that we can attract specialist staff who would have been difficult to retain within the department.

Q24 Geraldine Smith: Not necessarily because you use a lot of consultants. You have spent over 11 million on consultants. 20% of your total expenditure was on consultants, was it not?
Mr Byles: In the setup phase there was use of consultants. That has reduced very significantly since that time.

Q25 Geraldine Smith: Why did you use them if you are all specialists being paid large sums of money?
Mr Byles: I cannot answer for before I was in this role in 2006 but there is a need to assemble a range of skills from the private sector as well as the public sector to set up the programme and help it run. Our consultancy bill has gone down very substantially year on year since that time. As the Report itself says, having a central body has helped to achieve a high standard of programme management and having a single body accountable for delivery the changes of success. The Report also says that having that approach has enabled effective control over the overall scope, flow and cost of the programme in a way that could not have been done by individual authorities.

Q26 Geraldine Smith: You believe that it was better to set up a separate organisation?
Mr Bell: Yes. I suppose in the Whitehall jargon we are a small policy department. We are not a big department like the Department for Work and Pensions or Defence, where they have direct responsibility for the day to day oversight of delivery. Our view was consistent with the way we structured the rest of our delivery functions. This was brand new. This was about trying to combine private and public funding. Hence the involvement of Partnerships UK. It was also about trying to attract specialists to come to work on a particular project, that from our point of view as a department, it would not have made sense to employ. We could have grown the department by that 115 that Mr Byles currently manages. Our view was that on balance it was better to have a single, focused organisation that would lead this work nationally.

Q27 Geraldine Smith: You think it is fine that Partnerships for Schools employees are paid almost double what the employees are paid who work for building schools for the future in the department?2
Mr Bell: The reality is that Partnerships for Schools—

Q28 Geraldine Smith: Have you looked at that? Is that an issue that concerns you at all? It seems a big difference.
Mr Bell: What would concern me is if we were not getting people who had the requisite skills to make the right contribution to Partnerships for Schools.

Q29 Geraldine Smith: You sound like a defence for bankers.
Mr Bell: If you are going to employ people with the right kind of technical and buildings related skills to lead this kind of programme, there is a market price and that price is higher than what it would be to pay for civil servants. To that extent, if you want Partnerships for Schools to lead nationally a big programme like this, you have to have the right skills. You have to pay for them.

Q30 Geraldine Smith: You must have had some financial problems with the credit crunch. Is it true that you have approached local government pension schemes for finance?
Mr Byles: No, it is not. We have been in discussion with a number of pension fund advisers in the private sector, Norwich Union for example, well publicised as investors in PFI. We have been in discussion with pension fund advisers who also advise the public sector but it is not true, although it has been reported as such, that we have spoken to any individual local authority’s pension fund. That would not be the right thing to do.

Q31 Geraldine Smith: It is not your intention to do that at any stage?
Mr Byles: Absolutely.

Q32 Dr Pugh: On the prospectus for this the government intends to do something or other to every secondary school in the country. 50% they are going to rebuild. 35% are going to be extensively remodelled and 15% are going to be refurbished. I would really like to know what the average age of the secondary school estate is. Have you any idea?
Mr Byles: Yes. 80% of the secondary school estate is over 20 years old.

1 Ev 11

2 Ev 11
Q33 Dr Pugh: How does that compare with the primary school estate?
Mr Byles: I am afraid I do not have that information. I can let you know.

Q34 Dr Pugh: I suspect that the primary school estate is a good deal older. Could you send us a note? I do not expect you to have the figures. Of the schools that have been completed so far under this programme, a certain number will have been rebuilt. A certain number will have been extensively remodelled and a certain number will have been refurbished. What has been done to each individual school, whether it fits into one category or another? Can you give us an idea of the average age of schools that have been rebuilt, the average age of schools that have been extensively remodelled and the average age of the schools that are being refurbished? I would like to believe—though it may not be true—that the oldest ones have been the ones that have been rebuilt.4

Mr Byles: I can tell you straight away that that is not necessarily the case. There have been schools built in the fifties and sixties in particular which have a less good life expectancy than those built before the turn of the previous century. Age is not a direct measure of condition or suitability to deliver modern teaching.

Q35 Dr Pugh: Is condition the other thing you take into account?
Mr Byles: There are several factors we take into account. Suitability to deliver the curriculum is one. Condition is also a factor, as is the opportunity to have the range of modern facilities that young people need beyond the core curriculum these days.

Q36 Dr Pugh: You said that it was very difficult to get the right people without paying them an awful lot of money to do the job. There was an old system, was there not, for building schools. It was called getting capital injection from the government. There would be a man in every local authority department who would be responsible for administering the project with more or less efficiency and more or less success. Now we have a different system altogether and I would like to be able to understand that system a little better. Some of the projects that have been implemented by Local Education Partnerships have been PFI, have they not, and some have been more orthodox capital approval projects. Are you able to compare them in terms of value for money? It is a long term liability for the local authority either way, either as a unit cost or in terms of credit repayments over a long period. In terms of value for money for individual local authorities, are you able to compare the PFI deals done so far against the ordinary capital approval schemes done so far?

Mr Byles: There is a direct comparison in terms of the cost per square metre on construction. This issue which I think is probably behind your question is what comes along with the PFI deal in terms of maintenance and lifecycle protection that does not necessarily apply with a design and build contract. What you are buying with a PFI scheme is not simply the value for money construction of the building but its proper maintenance throughout a 25 year period together with the facilities management that goes along with that.

Q37 Dr Pugh: I agree there will be a lot more in the PFI but just in terms of the building costs—

Mr Byles: In terms of cost per square metre, we have a good comparison. We use that data, PFI and design and build, in our benchmarking system.

Q38 Dr Pugh: What does it tell you?
Mr Byles: It tells us that our average cost of schools is running at about £1850 a square metre for both PFI and design and build schools, which is considerably less than some alternatives.

Q39 Dr Pugh: In terms of getting the building built per se it makes no difference?

Mr Byles: What I am describing to you, for the avoidance of doubt, is the above ground cost per square metre. Those are the figures that this Report uses.

Q40 Dr Pugh: The ordinary system of capital controls and so on does not come with a portfolio of consultants and other deals as well, does it? It is quite hard to compare. It is like comparing apples and pears. Can you tell us what data you have for breaking down not just simply the building costs but the other on-costs that are involved in PFI, just for the projects so far completed?

Mr Byles: I can certainly give you that information.5 The information I can give you now also concerns the repeat business that happens through a Local Education Partnership. The procurement you do with a LEP is for a number of schools over a ten year period. It is not simply a one off procurement. This report illustrates for you the increased pace in Lancashire for example of repeat procurements happening very much quicker and more cheaply than were these to be bought in sequence as design and build contracts.

Q41 Dr Pugh: Would things like consultancy costs therefore be spread over the whole life of the partnership rather than being capable of being allocated to individual projects?

Mr Byles: They are capable of being allocated across the whole committed element of the scheme. For a typical local authority that would happen in a number of ways. If a contractor is bidding for a single wave, they would spread their costs across that wave.

Q42 Dr Pugh: You made extensive use of consultants and there is obviously a huge lump sum for consultancy hanging over the whole project which of course would not be there under the whole system.

3 Ev 12
4 Ev 12
5 Ev 14
You are asking consultants to assess the value for money in the whole project at the end of the day, are you not?

Mr Bell: Yes.

Q43 Dr Pugh: You will not be surprised by what they tell you, will you?

Mr Bell: It would have been rather strange if we had said that we would do all the evaluations in house.

Q44 Dr Pugh: Not if you were using consultants. We would expect you to know whether you were getting value for money for consultants. To ask PricewaterhouseCoopers to tell you whether the whole project is going well I think would get you a fairly obvious and clear answer, would it not?

Mr Bell: I am not quite sure—?

Q45 Dr Pugh: I would personally be astonished if a consultant you employed to evaluate the project were to say that the project on which you are so intensively using consultants is not going at all well. Maybe it is cynicism.

Mr Bell: I would not come to that conclusion whatsoever. I would have thought that any consultancy company that has been asked to carry out such an evaluation will have its reputation to consider. Therefore, if it is going to make judgments about the quality of the programme, it is going to have to have evidence to back up those judgments. I do not think it is just going to say, “Lots of consultants were involved. Therefore this must be a good project.”

Q46 Dr Pugh: One would hope not. In connection with ICT which is a big element in the project, many of the schemes involve a long term contract related to the provision of hardware replacement?

Mr Bell: Yes.

Q47 Dr Pugh: Software?

Mr Byles: For the provision of equipment and the maintenance of that equipment through time and the lifecycle of the ICT facilities is five or ten years.

Q48 Dr Pugh: I had a debate about this. I put it to the minister at the time—I do not think he is the minister there any longer—that a possible problem here is the fact that the contracts would be done with very big partners who would work right across the country and there would be a lack of involvement of smaller suppliers, either of software or of hardware. He said, “Not a bit of it. Schools are pretty free to choose what they want.” They are not, are they?

Mr Byles: The schools and the local authority together choose a provider for services.

Q49 Dr Pugh: It covers the local authority?

Mr Byles: It does cover the whole—

Q50 Dr Pugh: An individual school cannot make a choice by itself, can it?

Mr Byles: It is possible for a school to opt not to be part of the managed service. It is unusual for that to take place. An alternative procurement case has to be put forward and judged as value for money for that to succeed. It would not be right to say either that this is the province of very large providers in ICT. There are 16 ICT providers in building schools for the future at the moment. One of the distinguishing features is that none of them is very large.

Q51 Dr Pugh: Could you give us a note as to who supplies the managed services to the current schools so far built either under the PFI or under the whole programme?

Mr Byles: Yes. 6

Q52 Mr Bacon: I should say for the record Mr Byles and I have had occasion to have dealings with each other when he was chief executive of Norfolk County Council. Mr Byles, you said earlier in answer to a previous question that the rate of delivery was going to accelerate quite markedly. You gave a figure of 300 schools that would be under way by this time next year.

Mr Byles: In 18 months.

Q53 Mr Bacon: In paragraph 2.17 on page 24, it refers to the extra money that would be needed to meet increased costs and make sure that the programme stays on track. It includes an increased average annual capital allocation to building schools for the future from £2.5 billion in the 08/11 spending review period to between £3.4 and £3.7 billion for the next spending review period onwards. The 300 you are talking about are all within the existing envelope of what is proposed?

Mr Byles: Yes. There is a carry over of course of some expenditure into the next spending review.

Q54 Mr Bacon: Mr Bell mentioned that some of the increase in costs was due to increased scope and some was due to increased building costs inflation. This Report was published in February but much of the impact of the recent turbulence in financial markets has been a lot more recent than this Report which took 12 months or so to write. We have seen building cost deflation recently. What impact is that going to have on your expected budget plans?

Mr Byles: It may reduce the estimates here. We have just entered a second quarter where inflation has moved below building costs inflation. At the beginning of last year there were some very significant inflationary pressures on steel prices which were causing a sharp push on building cost inflation. In the light of this programme, building cost inflation has been running significantly higher than—

Q55 Mr Bacon: Steel prices have come down.

Mr Byles: Yes. Labour market prices have also come down. Were we to redo the forecasts now, you would get a much lower figure against the inflation cost number but the scope increase would remain.

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6 Ev 15
Q56 Mr Bacon: Are we expecting those numbers in there to go down rather than up in paragraph 2.17?
Mr Byles: Yes.

Q57 Mr Bacon: I share the concern that other Members have expressed about the costs of your organisation. The average cost per employee, according to appendix two on page 62, is £85,000, which is a high salary when that is the average; and yet you still employed £750,000 of consultancy in the most recent financial year. I see it has gone down from four or five years ago or three or four years ago when it was 2.8, but it was still a million in 05/06, a million in 06/07 and three quarters of a million last year. I take your point for the purposes of the argument that you are paying for skills and they have a market price, but you have these skills. You are paying, on average, a salary of £85,000 for these 115 people. Presumably some are on considerably more than that, are they?
Mr Byles: Yes. Some are on more than that.

Q58 Mr Bacon: In light of this bespoke, separate organisation and in light of these pretty high salaries, why do you still need to spend three quarters of a million pounds on consultants?
Mr Byles: Sometimes it is to do with specialist technical input and we do not employ people with those skills. It is to do with specialist legal input.

Q59 Mr Bacon: It is the lawyers.
Mr Byles: Indeed. These transactions are complex. They are about establishing a standard form of documentation and managing that through a commercial transaction. We do have to engage specialist legal advice in order to help local authorities.

Q60 Mr Bacon: Why do you not employ more framework contractors at an earlier stage?
Mr Byles: For delivery or advice?

Q61 Mr Bacon: Higher up the food chain at an earlier stage in the process, so that it is easier to get partnerships established because more of the work was, if you like, off the shelf.
Mr Byles: We employ two lots of frameworks. One is for the provision of specialist advice where we negotiate with a range of technical, legal and financial advisers on the facilities for local authorities to draw on at very competitive rates for the kind of advice they need. Also, we look at the construction through frameworks. There are circumstances where that is appropriate and provides good value for money. Very small schemes, those that do not involve PFI—Middlesbrough and Sunderland are two such schemes—run very successfully and rapidly through use of frameworks and we continue to explore that as an option. It does only really work for smaller scale schemes.

Q62 Mr Bacon: Paragraph 3.18 talks about how you would select a private sector partner and set up an LEP before designing and scoping the first schools. “This sequence would potentially be cheaper and quicker to procure . . . ”, although it would mean that local authorities could not use the experience of scoping the projects. “PFS believes it needs more confidence on whether such an approach would comply with EU regulations.” Where does that now stand?
Mr Byles: As that paragraph is written. These are complex procurements made under the competitive dialogue legislation and it is essential that you test through a sample scheme before procuring in a programme such as BSF. We have taken detailed advice on this.

Q63 Mr Bacon: You are going to test it?
Mr Byles: We have not tested it. Part of our legal advice referred to in the last question is about getting that answer.

Q64 Mr Bacon: Ultimately, presumably, you only find out if it is waterproof if somebody sues you.
Mr Byles: There is quite a lot of suing going on across Europe at the moment on exactly that point which is why we tested it with specialist advice here. The strong advice is that for this programme under competitive dialogue legislation you must engage through the use of sample schemes and that means design costs at the point of procurement.

Q65 Mr Bacon: Mr Bell, you mentioned that Mr Byles had added a dimension of extra leadership and discipline to the programme since his arrival which I think was November 2006. The programme had been going for a couple of years before that. Given that it was known right at the inception that this was going to be a very big project, as you yourself described it, why was not the right leadership with the right discipline brought in at the beginning? It is an obvious thing to do. You have a big project. You make sure you have the right leadership.
Mr Bell: Yes. The first substantive post was Mr Byles’s predecessor. We assumed he would provide that kind of leadership and would stay for a longer period than actually turned out. At that point we had to go out to advertise twice before attracting Mr Byles to the post.

Q66 Mr Bacon: That is because he did not want to leave Norfolk.
Mr Bell: It is very understandable.

Q67 Mr Bacon: If you look at the current issue of Norfolk Magazine, you will see Mr Stephen Fry saying that Norfolk is the most perfect place on the planet.
Mr Bell: I would not get into any kind of argument about that. This was going to be a difficult job to fill. Interestingly, we got somebody previously who had both private sector and regulatory experience in central government. When we did advertise widely, we had private sector applicants as well as public sector applicants. As it turned out, Mr Byles got the
post. It was not that we had waited until getting Mr Byles before trying to get a long term post holder. It was just that Mr Byles’s predecessor did not stay in post all that long.

Q68 Mr Bacon: Was Mr Byles’s predecessor an internal appointment?
Mr Bell: He was Richard Bowker.

Q69 Mr Bacon: The rail man?
Mr Bell: Yes.

Q70 Mr Bacon: He went from the Strategic Rail Authority when it was wound up to Partnerships for Schools?
Mr Bell: Yes.

Q71 Mr Bacon: Which genius had that idea?
Mr Bell: It was a properly conducted selection process.

Q72 Mr Bacon: I am sure it was. Can I ask you to turn to paragraph 4.18? I remember he came here. He was not wearing a tie; only a t-shirt. It says that the internal rate of return is 12.8% rather than 15% because of the delay in the programme. 12.8% is not a bad return in the present market. Most people would be very happy to get 12.8% in the current climate. Why should there be a return to PUK of 12.8% when there has been so much delay of almost two years?
Mr Bell: When we rescheduled the targets for completion 2004–05, those became the new benchmark for completion, so the rate of return that PUK is receiving represents the targets that were established 2004–05. It is worth pointing out as well that the expected rate of return is going to be over the lifetime of the whole project and does involve them with us achieving quite demanding milestones and target. Do not forget this is over a 12 or 13 year period.

Q73 Mr Bacon: I would like to ask you a simple question. It relates to a constituent of mine, who was a head teacher, courtesy of the Education Authority, of two schools at one point. She was told by the local Education Authority’s building arm or property arm that the proposed construction she wanted to do for her school, which was a very small school, could not be done for less than £200,000. Because of the capital formulation, she could not raise £200,000. She conspired with the local builder and architect to procure across a whole number of schools over an extended period of time. The straight answer to your question is you are not comparing within that basket of data the costs of doing what you do in big secondary projects against the small scale capital developments of the sort that you describe.

Q74 Chairman: I am not sure that you answered the question that Mr Bacon put to you on paragraph 4.18 about the rate of return of Partnerships UK. They are getting 15%. They are supposed to be a public sector organisation; it seems very high to me. Mr Byles: 15% was the figure which applied in the early stages of this project when there were judged to be a number of risks associated with it. They are referred to in paragraph 4.16. 4.18 is talking about a reduction of that internal rate of return in the maturity of the project, with some discount against not hitting the targets.

Q75 Mr Bacon: Some of these partnerships involve PFI; some do not. Could you tell us how many involve PFF? What is the total net present value of the PFI book and do they all include refinancing clauses in their contracts?
Mr Byles: 41% of BSF capital expenditure is PFI and, yes, they do include refinancing clauses that limit refinancing gain.

Q76 Mr Bacon: And the total value of these PFI contracts?
Mr Byles: I do not have that figure.

Chairman: Give us a note. Thank you.8

Q77 Mr Williams: Some years ago, this Committee insisted that the department should ensure they share. You told us that you do ensure they share. How has your bargaining position been affected by the credit crunch? Does the credit crunch put you in a better bargaining position or does it put the contractor in a better bargaining position on the share of that refinancing?
Mr Byles: As things currently stand, the position has not altered in the context of the credit crunch. There is a limit on refinancing gains that benefits the public sector to the tune of 70%.

8 Ev 15
Q78 Mr Williams: I understand that, in fact, the public sector has actually got above 50% now.
Mr Byles: Yes, it has indeed, 70%.

Q79 Mr Williams: That is despite the prevailing economic circumstances.
Mr Byles: That is right. That is the current position. We have a number of banks, as referred to in this report, who are actively lending into BSF at the moment. In fact, the figure is currently double that mentioned in this report.

Q80 Mr Williams: Following up on the point Mr Hill raised, we are told that the local authority guarantees that the Local Education Partnership may undertake all its major school capital projects for ten years. Does that not really mean that the authority is over a barrel? How can you be sure that it is getting value for money?
Mr Byles: In two or three ways. There are the complexities of it. One type of transaction which we do involves competing for the construction element of the school for every school through that ten year period. The other main structure we use regularly tests—

Q81 Mr Williams: How can it involve competing when there is a guarantee?
Mr Byles: Because it is providing it to a consortium which may or may not be led by a construction person. The Local Education Partnership provides the building, the ICT, facilities management and future project development for the local authority through a partnering vehicle and it will engage a supply chain to deliver it which will be a series of constructors.

Q82 Mr Williams: What happens if the authority is not satisfied?
Mr Byles: If the authority is not satisfied objectively, ie the Local Education Partnership does not meet its targets for delivery or for cost improvement, then that exclusive arrangement is lost.

Q83 Mr Williams: Does it affect the future commitment over the ten years?
Mr Byles: Absolutely, it takes it away completely.

Q84 Mr Williams: It takes it away completely?
Mr Byles: Yes. If there is a failure to perform then the contract falls.

Q85 Mr Williams: In that case, why is it, according to figure 19, that only a quarter of local authorities think that the Partnership is a good approach? That is a very small proportion, is it not?
Mr Byles: Yes. I mentioned earlier on it does involve a different approach for local authorities and many of them have taken some time to appreciate its full value. A number who have been sceptics at the beginning are now coming back wanting to have them because they do recognise it makes good sense. It does involve working differently from an historic contractual type relationship with a provider for a local authority as we see in other areas of facilities management, computing and management services.

Q86 Mr Williams: So are you saying that the 75% who have reservations are being perverse or have they got reasons for that?
Mr Byles: It is fully understandable and as a local authority chief executive myself I would have shared those views at the outset. What I am saying is if you talk to people once they become engaged in the project and in this way of delivery they tend to change their view very considerably.

Q87 Mr Williams: Paragraph 14 tells us that it is too early for local authorities to be able to tell if the expected benefits will be realised.
Mr Bell: I think if I could just come in on this.

Q88 Mr Williams: You signed up to that, did you not?
Mr Bell: As Mr Byles said, there are people finding their way and in some ways that is a thread that has gone through this conversation this afternoon, that the way in which local authorities used to deal with capital projects was on a one-by-one basis because they were not able to manage their arrangements across a local authority area. That does require you to behave in a different sort of way because you are working together with others in the Partnership over an extended period of time. I do not think it is surprising that people are still finding their way. We are seeing more senior involvement in Local Education Partnerships. In one area, the elected mayor of the council is involved as the local authority representative. There is greater recognition that we are in this at a local level for the long-term and, therefore, I do not think we should be too surprised. The general mood from the NAO Report, both on the private and the public sector sides, was they could anticipate benefits accruing in due course but at the moment in a sense they are waiting to see, and I think that is an entirely reasonable and rational position.

Q89 Mr Williams: My final point is on the sharing of risks and the allocation of costs of risks. If we look at paragraph 4.15, we are told: “Paying PUK to adopt some of the programme risks, however, costs the Department more than just paying for the services PUK provides and does not significantly reduce the amount of risk to which the Department is exposed.” How on earth does that come about and why have you got yourselves in that situation?
Mr Bell: As we said earlier, the arrangement with Partnerships UK is to bind them in given the kind of expertise that they can bring to this kind of project. As paragraph 4.17 points out, they are bound in in such a way that if they do not achieve the milestones, projects being delayed, not delivering against the KPIs, they do not get the rate of return. The whole point of binding them in together with the Department was to access for PiS the kind of expertise that I think the private sector can produce through this vehicle.
Q90 Mr Williams: You signed up to the bit I quoted which says: “Paying PUK to adopt some of the programme risks, however, costs the Department more than just paying for the services PUK provides and does not significantly reduce the amount of risk . . . ” That does not sound like a good bargain to me.

Mr Bell: This is about binding PUK into the process which we actually thought was far more likely to be the case if we had them involved in this joint venture arrangement rather than, as it were, just procuring the services directly for them. I think as paragraph 4.16 then goes on to say, the advantage of the Partnership is that you get that stronger senior level attention given at PUK. We know that from experience, the chief executive and the chairman are really heavily involved in Partnerships for Schools with their board membership and also are providing—Mr Byles may wish to comment on this—very substantial active support drawing upon the very experience of partnership arrangements in other parts of the public sector.

Mr Byles: If I could endorse that, they are involved not as consultants but as people who are helping manage, challenge and support the programme and we find that a very beneficial relationship at a technical and professional level.

Mr Williams: I said that was the last question but—No, I will leave it there.

Chairman: Well, I have never heard that before! I suppose the danger is that you lump together this group of people who provide all sorts of services and expertise, and we would want to express some caution because these people do, and have in many cases, provide really invaluable expertise in taking projects forward. I think that is enough defending of consultants.

Q91 Dr Pugh: One further question following on from your answer to Mr Bacon and before that to Geraldine Smith. We were thinking about these 100 people, average salary £80K, and at the Public Accounts Committee hearing on 23 February 2009, was £85,000. To clarify, this figure is not the average salary of PfS employees as it includes all pension costs and National Insurance.

Chairman: That is a good, appropriate note to finish our inquiry on. Thank you very much.

Q92 Dr Pugh: Following on from client side expertise, which is a concern of this Committee and crops up in connection with a number of different inquiries, you are doing deals for managed services with IT suppliers and the like and advising on the same. How many people of those 100 have specialist professional qualifications in IT?

Mr Byles: Seven.

Q93 Dr Pugh: Seven. Mr Bell: I find myself, Chairman, in the slightly odd position of wanting to defend the honour of consultants.

Q94 Chairman: Well, nobody else will! Mr Bell: That is why it is a very odd position. I suppose the danger is that you lump together this group of people who provide all sorts of services and expertise, and we would want to express some caution because these people do, and have in many cases, provide really invaluable expertise in taking projects forward. I think that is enough defending of consultants.

Q95 Chairman: I think that also concludes our hearing. Our consultants are the National Audit Office, so can you plant in the collective memory of your office, Mr Burr, that you should go on looking at this for the next Parliament. I do not know how you can look at the value for money for this, not just in narrow terms about whether these schools are being built or what they are delivering in terms of good education. Can your office deal with this sort of inquiry?

Mr Burr: Certainly we could in looking to see if the early performance evidence from these refurbished and reconstructed schools reflected the added value from this programme.

Q96 Chairman: Exactly. And it will, will it, Mr Bell? Mr Bell: Yes. I am slightly cautious about quoting rather random statistics about percentage increases in GCSEs because we are talking about such a small group of schools at this stage. As I indicated earlier, Chairman, the new smaller dashboard of indicators will include education measures as well, so I think we can start to get at this. From our point of view it is really important to understand this because these shiny new buildings are all very well, they are great for the students and the teachers who are there, but this was all built, if you will pardon the pun, on the basis that this was going to improve education. I think all the commentators, including some of those who are quoted in this report, identified that core purpose.

Chairman: That is a good, appropriate note to finish our inquiry on. Thank you very much.

Supplementary memorandum from Partnerships for Schools

Questions 23, 27 (Geraldine Smith); 57 (Mr Bacon) and 91 (Dr Pugh): Average salary of PfS staff

The figure for the average cost per employee for PfS, cited both in the NAO report (Appendix Two on Page 62) and at the Public Accounts Committee hearing on 23 February 2009, was £85,000. To clarify, this figure is not the average salary of PfS employees as it includes all pension costs and National Insurance.
contributions. The current (as at March 2009) average salary of PfS employees, including the Chief Executive, is £64,000.

**Question 32-34 (Dr Pugh): The age of the primary school estate compared to secondary school estate**

Most primary schools buildings were built more than 25 years ago and most of these are now approaching the end of their original design lives.

The table below shows percentages of schools buildings in age bands based on 2006 analysis.

<table>
<thead>
<tr>
<th>Age Band</th>
<th>Primary</th>
<th>Secondary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre 1919</td>
<td>18%</td>
<td>8%</td>
</tr>
<tr>
<td>Inter-war</td>
<td>11%</td>
<td>9%</td>
</tr>
<tr>
<td>1945–66</td>
<td>23%</td>
<td>29%</td>
</tr>
<tr>
<td>1967–76</td>
<td>24%</td>
<td>22%</td>
</tr>
<tr>
<td>Post 1976</td>
<td>20%</td>
<td>27%</td>
</tr>
<tr>
<td>Temporary</td>
<td>4%</td>
<td>5%</td>
</tr>
</tbody>
</table>

**Question 34 (Dr Pugh): Summary of work undertaken to each completed school, and the age of each rebuilt, remodelled or refurbished school completed**

When local authorities consider options for the level of new build, remodelling or refurbishment required at the schools in their BSF project they do not, specifically, consider the age of each school but rather the condition and suitability of the buildings and they also take into account pupil place planning decisions. The general BSF policy position is that schools which are less than ten years old do not attract funding, although they may receive ICT funding for a local authority managed service.

Condition need—which focuses on investment need in the premises to maintain them in good condition and to ensure safe and continuous operation, and other requirements that may involve building regulations or other non educational statutory provisions. It also takes into account aspects of health and safety, for example in relation to the types of materials used in the construction, such as asbestos.

Suitability need—which focuses on the ability of the premises to meet curriculum or management needs and other issues impacting on the role of the local authority in raising educational standards. This measurement considers premises shortcomings that impact users, including teaching and non-teaching spaces, environments and equipment. Suitability also takes into account aspects of health and safety, for example in relation to the adequacy of fire escape routes, ventilation and lighting.

Pupil place planning—which local authorities undertake by forecasting the demand for school places over a ten year period by looking at live birth data and making assumptions about school choice trends from post-code areas into primary schools and primary schools in secondary. This is then finessed to take account of changes in cross-border movement and new housing.

The table below provides details of the 54 school projects which have been completed to date—including the 12 schools which have opened since the NAO report was finalised. This does not include the age of the “predecessor” school as this information is not held centrally by PfS.

<table>
<thead>
<tr>
<th>Local authority</th>
<th>School</th>
<th>Date of opening</th>
<th>Summary of work carried out</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solihull</td>
<td>Forest Oak and Merstone Schools</td>
<td>May 06</td>
<td>New Build centre for inclusive learning delivered as a BSF “quick win” project D&amp;B</td>
</tr>
<tr>
<td>STaG</td>
<td>Bamburgh School (Horsley Hill Community Campus)</td>
<td>Oct 06</td>
<td>New build school delivered as a BSF “quick win” project D&amp;B</td>
</tr>
<tr>
<td>Bristol</td>
<td>Bristol Brunel Academy</td>
<td>Sep 07</td>
<td>New build school delivered by the LEP PFI</td>
</tr>
<tr>
<td>Haringey</td>
<td>Haringey Sixth Form Centre</td>
<td>Sep 07</td>
<td>New build sixth form centre delivered as a BSF “quick win” project D&amp;B</td>
</tr>
<tr>
<td>Stoke</td>
<td>Birches Head</td>
<td>Nov 07</td>
<td>New build school delivered as a BSF “quick win” project D&amp;B</td>
</tr>
<tr>
<td>Lambeth</td>
<td>The Michael Tippett School</td>
<td>Feb 08</td>
<td>New build special school delivered as a BSF “quick win” project D&amp;B</td>
</tr>
<tr>
<td>Stoke</td>
<td>Sandon High School</td>
<td>Feb 08</td>
<td>New build school delivered as a BSF “quick win” project D&amp;B</td>
</tr>
<tr>
<td>Kent</td>
<td>Ifield School</td>
<td>Mar 08</td>
<td>New build sixth form centre delivered as a BSF “quick win” project D&amp;B</td>
</tr>
<tr>
<td>Bristol</td>
<td>Bristol Metropolitan College</td>
<td>Apr 08</td>
<td>New build school delivered by the LEP PFI</td>
</tr>
<tr>
<td>Local authority</td>
<td>School</td>
<td>Date of opening</td>
<td>Summary of work carried out</td>
</tr>
<tr>
<td>-----------------</td>
<td>-------------------------------------------------</td>
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<td>-----------------------------</td>
</tr>
<tr>
<td>Leeds</td>
<td>Cockburn College of Arts</td>
<td>Sep 08</td>
<td>New build school delivered by the LEP D&amp;B</td>
</tr>
<tr>
<td>Bradford</td>
<td>Titus Salt School</td>
<td>Sep 08</td>
<td>New build school delivered by the LEP PFI</td>
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<tr>
<td>Bradford</td>
<td>Tong High School</td>
<td>Sep 08</td>
<td>New build school delivered by the LEP PFI</td>
</tr>
<tr>
<td>Bradford</td>
<td>Buttershaw Business and Enterprise College</td>
<td>Sep 08</td>
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</tr>
<tr>
<td>Bristol</td>
<td>Brislington Enterprise College</td>
<td>Sep 08</td>
<td>New build school delivered by the LEP PFI</td>
</tr>
<tr>
<td>Lancashire</td>
<td>Burnley Campus (Thomas Whitham Sixth Form)</td>
<td>Sep 08</td>
<td>New build school delivered by the LEP PFI</td>
</tr>
<tr>
<td>Lancashire</td>
<td>Pendle Vale College (Pendle Vale Campus)</td>
<td>Sep 08</td>
<td>New build school delivered by the LEP PFI</td>
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<tr>
<td>Lancashire</td>
<td>Pendle Community High School (Pendle Vale Campus)</td>
<td>Sep 08</td>
<td>New build school delivered by the LEP PFI</td>
</tr>
<tr>
<td>Leeds</td>
<td>Allerton High School</td>
<td>Sep 08</td>
<td>New build school delivered by the LEP PFI</td>
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<tr>
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<tr>
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<td>Rodillian School</td>
<td>Sep 08</td>
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<tr>
<td>Leeds</td>
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<tr>
<td>Manchester</td>
<td>Gorton Education village (Melland High School)</td>
<td>Sep 08</td>
<td>New build school delivered by the local authority framework D&amp;B</td>
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<tr>
<td>Newcastle</td>
<td>Walbottle Campus Technology College</td>
<td>Sep 08</td>
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<td>Newcastle</td>
<td>Walkergate Primary School</td>
<td>Sep 08</td>
<td>New build primary school delivered through the BSF LEP PFI</td>
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<td>Stocksfield Avenue Primary School</td>
<td>Sep 08</td>
<td>New build primary school delivered through the BSF LEP PFI</td>
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<tr>
<td>Solihull</td>
<td>Manchester School</td>
<td>Sep 08</td>
<td>New build primary school delivered through the BSF LEP PFI</td>
</tr>
<tr>
<td>Waltham Forest</td>
<td>Frederick Bremer</td>
<td>Sep 08</td>
<td>New build school delivered by the LEP PFI</td>
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<tr>
<td>Solihull</td>
<td>Park Hall School</td>
<td>Oct 08</td>
<td>New build school delivered by the local authority framework PFI</td>
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<tr>
<td>Lambeth</td>
<td>Park Campus</td>
<td>Nov 08</td>
<td>New build Pupil Referral Unit D&amp;B</td>
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<tr>
<td>Newcastle</td>
<td>Kenton School</td>
<td>Nov 08</td>
<td>Pre-BSF PFI rebuild, with BSF funding provided for ICT PFI</td>
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<tr>
<td>Bristol</td>
<td>The Bridge Learning Campus</td>
<td>Jan 09</td>
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<tr>
<td>Sheffield</td>
<td>Talbot Special School</td>
<td>Jan 09</td>
<td>New build special school delivered by the LEP PFI</td>
</tr>
<tr>
<td>Sheffield</td>
<td>Newfield Secondary School</td>
<td>Jan 09</td>
<td>New build school delivered by the LEP PFI</td>
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<tr>
<td>Sheffield</td>
<td>Silverdale Secondary School</td>
<td>Jan 09</td>
<td>New build school delivered by the LEP PFI</td>
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<tr>
<td>Knowsley</td>
<td>Christ the King Catholic and Church of England Centre for Learning</td>
<td>Jan 09</td>
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<tr>
<td>Lewisham</td>
<td>Sedghill</td>
<td>Jan 09</td>
<td>New build school delivered by the LEP PFI</td>
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<tr>
<td>Manchester</td>
<td>Our Lady's RC High School (Higher Blackley Education Village)</td>
<td>Feb 09</td>
<td>New build primary school delivered by the local authority framework D&amp;B</td>
</tr>
<tr>
<td>Manchester</td>
<td>North Ridge SEN (Higher Blackley Education Village)</td>
<td>Feb 09</td>
<td>New build primary school delivered by the local authority framework D&amp;B</td>
</tr>
<tr>
<td>Newcastle</td>
<td>Jesmond Primary School</td>
<td>Mar 09</td>
<td>New build primary school delivered through the PFI</td>
</tr>
<tr>
<td>Local authority</td>
<td>School</td>
<td>Date of opening</td>
<td>Summary of work carried out</td>
</tr>
<tr>
<td>-----------------</td>
<td>--------</td>
<td>-----------------</td>
<td>----------------------------</td>
</tr>
<tr>
<td>Lambeth</td>
<td>Elm Court</td>
<td>Mar 09</td>
<td>New build special school delivered by the local authority framework</td>
</tr>
<tr>
<td><strong>Part new build/remodelling</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Newcastle</td>
<td>All Saints College</td>
<td>Sep 06</td>
<td>Modernised as part of a “quick win” BSF project before the LEP was established</td>
</tr>
<tr>
<td>Sheffield</td>
<td>Chaucer Business and Enterprise College</td>
<td>Oct 06</td>
<td>Modernised as part of a “quick win” BSF project before the LEP was established</td>
</tr>
<tr>
<td>Sunderland</td>
<td>Oxclose Community School</td>
<td>Jun 07</td>
<td>Modernised as part of a “quick win” BSF project</td>
</tr>
<tr>
<td>Lambeth</td>
<td>Elmgreen School</td>
<td>Sep 07</td>
<td>Temporary accommodation provided for the school in advance of a complete new build</td>
</tr>
<tr>
<td>Manchester</td>
<td>Newall Green High School</td>
<td>Sep 08</td>
<td>Modernised by the local authority framework</td>
</tr>
<tr>
<td>Manchester</td>
<td>Gorton Education Village (Cedar Mount High School)</td>
<td>Sep 08</td>
<td>Modernised by the local authority framework</td>
</tr>
<tr>
<td>Manchester</td>
<td>St Paul’s</td>
<td>Sep 08</td>
<td>Modernised by the local authority framework</td>
</tr>
<tr>
<td>Waltham Forest</td>
<td>Kelmscott School</td>
<td>Sep 08</td>
<td>Modernised by the LEP</td>
</tr>
<tr>
<td>Newcastle</td>
<td>Benfield School (phase 1 of refurb)</td>
<td>Sep 08</td>
<td>1st phase of a major refurbishment of the school</td>
</tr>
<tr>
<td>Sheffield</td>
<td>Yewlands Technology College</td>
<td>Oct 08</td>
<td>Modernised by the LEP</td>
</tr>
<tr>
<td>Manchester</td>
<td>St Matthews RC High School</td>
<td>Jan 09</td>
<td>Modernised by the local authority framework</td>
</tr>
<tr>
<td>Leicester</td>
<td>Fullhurst Community College</td>
<td>Jan 09</td>
<td>Modernised by the LEP</td>
</tr>
</tbody>
</table>

**Question 40 (Dr Pugh): A breakdown of costs the building costs and all other on-costs (consultancy, other services etc) involved in PFI schools**

The Partnerships for Schools Benchmarking and Performance Management System captures detailed cost data from BSF projects which have reached financial close. Cost information has been gathered and analysed from 21 local authorities and includes information on 78 schools. Of these, 30 are for schools in PFI schemes. Costs are broken down into elements related to the capital construction of the school and the operating costs over the life of the contract, typically 25-years. This information does not yet include the resource costs which local authorities incur during the development and the procurement of the project.

The table below provides a summary of the cost data received for these PFI schools, with a detailed breakdown of the average cost of the major elements.

<table>
<thead>
<tr>
<th>Capital delivered schools</th>
<th>Mainstream Schools £million</th>
<th>%</th>
<th>Special schools £million</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital Costs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>16.7</td>
<td>65%</td>
<td>6.4</td>
<td>69%</td>
</tr>
<tr>
<td>External Works, including hard surface areas, car parks, sports pitches, land drainage, fencing</td>
<td>2.4</td>
<td>9%</td>
<td>0.7</td>
<td>8%</td>
</tr>
<tr>
<td>Abnormals, such as costs of temporary works for phasing, poor ground conditions, clearance of ground contamination</td>
<td>1.3</td>
<td>5%</td>
<td>0.1</td>
<td>1%</td>
</tr>
<tr>
<td>Preliminaries, including management of and access to the construction site, scaffolding and cranes</td>
<td>3.3</td>
<td>13%</td>
<td>1.2</td>
<td>13%</td>
</tr>
<tr>
<td>Professional fees and surveys, including costs for architects, quantity surveyors, engineers and project managers, and some survey costs</td>
<td>2.2</td>
<td>8%</td>
<td>0.8</td>
<td>9%</td>
</tr>
<tr>
<td>Total</td>
<td>25.9</td>
<td>100%</td>
<td>9.2</td>
<td>100%</td>
</tr>
<tr>
<td>Furniture and Equipment (capital)</td>
<td>1.3</td>
<td>4%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Operating costs (per annum)**

| Hard Facilities Management, including premises maintenance, caretaking and central management costs | 0.3 | 70% | 0.1 | 69% |
| Soft Facilities Management, including grounds maintenance, cleaning, catering and community use | 0.1 | 30% | 0.1 | 31% |
| Total | 0.4 | 100% | 0.2 | 100% |
Note 1: Not all schools include all soft-FM provisions in their PFI contracts and make alternative arrangements instead.

Note 2: The average capital costs were calculated from analysis of 30 PFI schools. At present, operating costs information is only available for 21 PFI schools.

Note 3: These figures are current estimates and represent an average of a relatively small sample size. They can be expected to vary as more data becomes available.

**Question 75-76 (Mr Bacon): The number of partnerships and how many involve PFI procurement and the present value of the PFI book and how many have refinancing clauses in their contracts**

As at the end of February 2009, 29 BSF projects, including three repeat schemes, have reached financial close in 26 local authorities. Local Education Partnerships (LEPs) have been established in 18 of these authorities—the remaining eight have used local or national frameworks to deliver their projects. 21 of the schemes which have reached financial close include 59 schools being delivered using the private finance initiative, with a combined capital value of £1.2 billion; 26 of these schools are open and in the operational phase.

Looking to the future, there are 22 PFI projects currently in procurement which are all expected to reach financial close in the next 18 months. A further 23 second and third phase schemes (in local authorities which have already formed a LEP) should also reach financial close by March 2011. The total value of these projects is estimated to be £2.4 billion.

All BSF Project Agreements contain refinancing clauses. The refinancing clause is mandatory within the Standardisation of PFI Contracts (SoPC)4, which has been updated recently to alter the split of the share of gains between the public and private sector in the public sector’s favour. It is unlikely that any proposed PFI scheme would survive the rigorous BSF approvals process without it.

**Question 51 (Dr Pugh) The suppliers of ICT services to schools completed under both the PFI and conventional systems**

The area-wide managed service for ICT brings all schools in a local authority into a collaborative framework. The ICT services supplier will therefore be the same for all the schools within the Local Authority. This is true whether the school is built under PFI or conventional funding arrangements.

The table below summarises the ICT supplier for each of the 54 schools that have opened.

<table>
<thead>
<tr>
<th>LA</th>
<th>School</th>
<th>ICT Supplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Manchester Our Lady’s RC High School (Higher Blackley Education Village)</td>
<td>Ramesys</td>
</tr>
<tr>
<td>2</td>
<td>Manchester North Ridge SEn (Higher Blackley Education Village)</td>
<td>Ramesys</td>
</tr>
<tr>
<td>3</td>
<td>Bristol The Bridge Learning Campus</td>
<td>Northgate</td>
</tr>
<tr>
<td>4</td>
<td>Leicester Fullhurst Community College</td>
<td>Northgate</td>
</tr>
<tr>
<td>5</td>
<td>Sheffield Talbot Specialist School</td>
<td>Civica</td>
</tr>
<tr>
<td>6</td>
<td>Sheffield Newfield Secondary School</td>
<td>Civica</td>
</tr>
<tr>
<td>7</td>
<td>Sheffield Silverdale Secondary School</td>
<td>Civica</td>
</tr>
<tr>
<td>8</td>
<td>Knowsley Christ the King Catholic and Church of England Centre for Learning</td>
<td>RM plc</td>
</tr>
<tr>
<td>9</td>
<td>Manchester St Matthews RC High School</td>
<td>Ramesys</td>
</tr>
<tr>
<td>10</td>
<td>Lewisham Sedgehill</td>
<td>VT4S</td>
</tr>
<tr>
<td>11</td>
<td>Lambeth Park Campus</td>
<td>RM plc</td>
</tr>
<tr>
<td>12</td>
<td>Newcastle Kenton School</td>
<td>City Services Division (Internal) + Dell</td>
</tr>
<tr>
<td>13</td>
<td>Solihull Park Hall School</td>
<td>RM plc</td>
</tr>
<tr>
<td>14</td>
<td>Sheffield Yewlands Technology College</td>
<td>Civica</td>
</tr>
<tr>
<td>15</td>
<td>Solihull Archbishop Grimshaw Catholic School</td>
<td>RM plc</td>
</tr>
<tr>
<td>16</td>
<td>Leeds Cockburn College of Arts</td>
<td>RM plc</td>
</tr>
<tr>
<td>17</td>
<td>Bradford Titus Salt School</td>
<td>AMEY</td>
</tr>
<tr>
<td>18</td>
<td>Bradford Tong High School</td>
<td>AMEY</td>
</tr>
<tr>
<td>19</td>
<td>Bradford Buttershaw Business and Enterprise College</td>
<td>AMEY</td>
</tr>
<tr>
<td>20</td>
<td>Bristol Brislington Enterprise College</td>
<td>Northgate</td>
</tr>
<tr>
<td>21</td>
<td>Lancashire Burnley Campus (Thomas Whitham Sixth Form)</td>
<td>Redstone</td>
</tr>
<tr>
<td>22</td>
<td>Lancashire Pendle Vale College (Pendle Vale Campus)</td>
<td>Redstone</td>
</tr>
<tr>
<td>23</td>
<td>Lancashire Pendle Community High School (Pendle Vale Campus)</td>
<td>Redstone</td>
</tr>
<tr>
<td>24</td>
<td>Lancashire Shuttleworth College</td>
<td>Redstone</td>
</tr>
<tr>
<td>25</td>
<td>Leeds Aillerton High School</td>
<td>RM plc</td>
</tr>
<tr>
<td>26</td>
<td>Leeds Pudsey Grangefiled School</td>
<td>RM plc</td>
</tr>
<tr>
<td>27</td>
<td>Leeds Rodillian School</td>
<td>RM plc</td>
</tr>
<tr>
<td>LA</td>
<td>School</td>
<td>ICT Supplier</td>
</tr>
<tr>
<td>----------</td>
<td>----------------------------------------------------</td>
<td>-----------------------</td>
</tr>
<tr>
<td>Leeds</td>
<td>Temple Moor High School</td>
<td>RM plc</td>
</tr>
<tr>
<td>Manchester</td>
<td>Newall Green High School</td>
<td>Ramesys</td>
</tr>
<tr>
<td>Manchester</td>
<td>Gorton Education Village (Cedar Mount High School)</td>
<td>Ramesys</td>
</tr>
<tr>
<td>Manchester</td>
<td>Gorton Education Village (Melland High School)</td>
<td>Ramesys</td>
</tr>
<tr>
<td>Manchester</td>
<td>St Paul's</td>
<td>Ramesys</td>
</tr>
<tr>
<td>Newcastle</td>
<td>Benfield School (phase 1 of refurb)</td>
<td>City Services Division (Internal) + Dell</td>
</tr>
<tr>
<td>Newcastle</td>
<td>Walbottle Campus Technology College</td>
<td>City Services Division (Internal) + Dell</td>
</tr>
<tr>
<td>Newcastle</td>
<td>Walkergate Primary School (primary school delivered through BSF LEP)</td>
<td>City Services Division (Internal) + Dell</td>
</tr>
<tr>
<td>Newcastle</td>
<td>Stocksfield Avenue Primary School (primary school delivered through BSF LEP)</td>
<td>City Services Division (Internal) + Dell</td>
</tr>
<tr>
<td>Solihull</td>
<td>Lanchester School</td>
<td>RM plc</td>
</tr>
<tr>
<td>Waltham Forest</td>
<td>Frederick Bremer</td>
<td>Ramesys</td>
</tr>
<tr>
<td>Waltham Forest</td>
<td>Kelmscott School</td>
<td>Ramesys</td>
</tr>
<tr>
<td>Bristol</td>
<td>Bristol Metropolitan College</td>
<td>Northgate</td>
</tr>
<tr>
<td>Kent</td>
<td>Ifield School</td>
<td>Northgate</td>
</tr>
<tr>
<td>Lambeth</td>
<td>The Michael Tippett School</td>
<td>RM plc</td>
</tr>
<tr>
<td>Stoke</td>
<td>Sandon High School</td>
<td>RM plc</td>
</tr>
<tr>
<td>Stoke</td>
<td>Birches Head</td>
<td>RM plc</td>
</tr>
<tr>
<td>Lambeth</td>
<td>Elmgreen School (temporary accommodation)</td>
<td>RM plc</td>
</tr>
<tr>
<td>Bristol</td>
<td>Bristol Brunel Academy</td>
<td>Northgate</td>
</tr>
<tr>
<td>Haringey</td>
<td>Haringey Sixth From Centre</td>
<td>RM plc</td>
</tr>
<tr>
<td>Sunderland</td>
<td>Oxclose Community School</td>
<td>RM plc</td>
</tr>
<tr>
<td>Sheffield</td>
<td>Chaucer Business and Enterprise College</td>
<td>Civica</td>
</tr>
<tr>
<td>STaG</td>
<td>Bamburgh School (Horsley Hill Community Campus)</td>
<td>Morse</td>
</tr>
<tr>
<td>Newcastle</td>
<td>All Saints College</td>
<td>City Services Division (Internal) + Dell</td>
</tr>
<tr>
<td>Solihull</td>
<td>Forest Oak and Merston Schools</td>
<td>RM plc</td>
</tr>
<tr>
<td>Newcastle</td>
<td>Jesmond Primary School</td>
<td>City Services Division (Internal) + Dell</td>
</tr>
<tr>
<td>Lambeth</td>
<td>Elm Court Special School</td>
<td>RM plc</td>
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</tbody>
</table>