

Steve Davies

Cyfarwyddwr Addysg / Director of Education
Y Grŵp Addysg a Gwasanaethau Cyhoeddus
Education and Public Services Group



Llywodraeth Cymru
Welsh Government

Reference:

Mr Nick Ramsay AM
Chair of Public Accounts Committee
National Assembly Wales
Cardiff Bay
Cardiff
CF99 1NA

1 December, 2017

Dear Nick

21ST CENTURY SCHOOLS AND EDUCATION PROGRAMME: UPDATE ON RECOMMENDATIONS

Following the value for money publication by the Wales Audit Office this year on the 21st Century Schools and Education Programme, I am pleased to provide an update on progress made against each of the recommendations made in that report.

In summary, work is advancing against all ten recommendations with one action already complete and another on track to complete by the end of this year. A more detailed report on progress is provided for the Committee at Annex A of this letter.

You also asked for a specific update on the plans that need to be developed for the next wave of the Programme (i.e. Band B). I am happy to report that our partners in Local Authorities and Further Education Institutions submitted Strategic Outline Programmes in July, which outlined their proposed plans for investment for Band B and that these projects will commence from 2019. Where capacity exists in our budgets we will look to bring projects forward.

All the Band B proposals have been assessed against the Investment Objectives of the 21st Century Schools and Education Programme and also wider Welsh Government policy initiatives. All plans were approved on an "in principle" basis with projects subject to further scrutiny through our Business Case process.

The Cabinet Secretary for Education published a Written Statement on the 10 November, which provides this Government's commitment to the plans. As with the first wave, Band A, Formal letters will now be issued confirming Programme Funding Envelopes. This confirmation will enable all Local Authorities and Further Education Institutions to proceed



BUDDSODDWYR | INVESTORS
MEWN POBL | IN PEOPLE

Parc Cathays • Cathays Park
Caerdydd • Cardiff
CF10 3NQ

Ffôn • Tel 0300 025 0706
Steve.davies049.gov.wales
Gwefan • website: www.wales.gov.uk

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

with planning the delivery of their projects with the right level of surety of Welsh Government support that is required at this stage.

To enable us to provide the correct level of funding against our partner's investment need and pace of delivery, these letters also include a request for information on planned timescales for project delivery. We will be required to match this need against the available budget; an approach has been employed successfully throughout the Band A Programme.

With the Strategic Outline Programmes in place we are now able to progress the preparatory work that will enable the start of the Band B Programme in 2019. This work includes completion of the remaining recommendations made by the Wales Audit Office in their report published in May.

Yours Sincerely

A handwritten signature in dark ink, appearing to read 'S. Davies', with a stylized flourish at the end.

Steve Davies
Cyfarwyddwr Addysg / Director of Education

cc Cabinet and Plenary Mailbox
WG CGU Mailbox

Annex A

Recommendation One

Overall, our view is that the governance arrangements for overseeing and approving projects are sound. However we found that the final advice put to Ministers, on which to base their funding decisions, did not adequately reflect outstanding risks and concerns with the projects.

The Welsh Government has subsequently updated its approach but there is scope to go further. The Welsh Government should ensure that Ministerial briefings on which funding decisions are taken set out the actions taken in response to any concerns or conditions identified by the Capital Investment Panel

Response: Accept

Completion Date: Complete

Action was taken immediately following the audit. The process to resolve queries arising from our Business Case assessment has been strengthened to ensure that we record all responses from our assessors. In cases where there are risks to be considered, these are highlighted in the submission to the Cabinet Secretary.

Recommendation Two

Going forwards, the Welsh Government is likely to make some substantial changes to the way the programme is funded and managed. The Welsh Government will need to finalise updated governance arrangements for Band B of the programme that take appropriate account of:

- **the complexities of making use of revenue funding, learning from the experience of other parts of the UK; and**
- **any shift in the balance of funding between partners.**

Response: Accept

Completion Date: March 2019

The 21st Century Schools and Education Programme has robust governance arrangements in place, which takes into account both capital and revenue funding streams. Arrangements are in place to oversee the development of the Band B Programme, along with the establishment of a Band B Panel which is comprised of senior Welsh Government officials. The Band B Panel currently meets on a monthly basis and monitors risks, Programme development, and progress in respect of the Mutual Investment Model.

The Mutual Investment Model is unique to Wales and has been developed taking into account learning from Scotland, England and Ireland. Officials continue to speak regularly with the Department for Education, Scottish Futures Trust and the European PPP Expertise Centre (EPEC).

Funding for the Capital element of the Band B Programme remains at 50% Welsh Government and 50% from our partners. Funding for the Mutual Investment Model is 75% from the Welsh Government and 25% from our partners.

Recommendation Three

The Welsh Government is currently consulting with councils and further education colleges about the funding for Band B and, in particular, if there is appetite to participate in the Mutual Investment Model. Recognising this ongoing work, the Welsh Government should set out its plans for funding Band B of the programme as soon as possible, taking into account:

- **the volume and cost of the remedial work required to bring all schools in Wales, including voluntary-aided schools, up to a good or satisfactory standard; and**
- **the capacity of councils, further education colleges and the diocese to fund further capital or revenue based investment in schools.**

Response: Accept

Completion Date: December 2017

Strategic Outline Programme documents were submitted in July 2017, in which partners were asked to indicate their project plans and whether they wished to promote any projects through the Mutual Investment Model.

These plans indicated an investment demand of c£2.3 billion, including over £600 million indicative investment through the Mutual Investment Model.

The plans are set out in five sections, which set out strategic alignment; value for money; affordability including the ability to match fund; commercial matters; and delivery for each Local Authority (which includes church schools) or Further Education Institution.

As all projects are supported by Business Cases, each project in the Programme receives further scrutiny in respect of our partner's ability to match fund, which is monitored throughout project and Programme delivery.

Recommendation Four

A national condition survey in 2010 helped to provide a clear baseline on the condition and suitability of the school estate, although there has been little public reporting of the data or the progress of the programme nationally. Since then, councils have updated their data annually. A sample survey was also carried out in 2016 to assess consistency of data. Given the proportion of schools that were judged to be incorrectly categorised, we recommend that the Welsh Government:

- a. **urgently issue updated guidance on classifying schools, setting out any common issues and errors identified in the sample review;**
- b. **require councils to update their assessment of every school, based on the updated guidance.**
- c. **carry out another review of a sample of the data to check that councils are applying the categories correctly and consistently; and**
- d. **report publicly on progress to improve the condition and suitability of the school estate alongside achievement of wider benefits.**

Response: a) b) d) Accept, c) Accept in Principle

Completion Date: August 2018

- a) Our annual condition survey has been undertaken for both schools and colleges across Wales. The document included guidance to enable partners to replicate the methodology employed in our sample survey to ensure that a consistent approach is taken.
- b) Our delivery partners are required to use the revised guidance to update their estate assessments and have been asked that it be adopted straight away where possible, with a view to make this a mandatory approach by next year's data collection.
- c) The data has been received and officials are analysing the return. Once this exercise is complete, further action will be considered, including whether a further sample survey is necessary to test the data.
- d) To ensure greater transparency in reporting, work is being undertaken to update the 21st Century Schools Website to report Programme progress in respect of school estate improvement and wider Programme benefits. We have updated the website to reflect the recent Band B announcement, and are currently organising updating our Programme governance section to provide clarity to delivery partners. We are collating information for those projects approved and completed under Band A funding. When completed, this will be published geographically on the website to show investment throughout Wales.

Our new publicity guidance is currently available online. Our community benefits, procurement and building standards sections are also under review. New information will be published on the website early in the New Year. We are collating recently completed project information including build photographs in a view to expanding our project portfolio section online.

Recommendation Five

The programme has prioritised the reduction of surplus places and has been one of several factors contributing to a fall in surplus places, although most councils are still above target, especially for secondary school places. For Band B, the Welsh Government is prioritising building condition more than surplus places. The Welsh Government should continue to work with councils to:

- a. ensure that the programme continues to contribute to a reduction in surplus places despite the shift in priorities, especially in those council areas where a growth in the secondary age population is not expected.
- b. ensure that building programmes for Band B appropriately reflect local demand for Welsh-medium education and the Welsh Government's intentions to substantially increase the numbers of pupils learning through the medium of Welsh;
- c. engage with Diocesan authorities to assess the likely demand for faith schools across Wales; and
- d. identify cost effective and timely approaches for councils that face acute pressure for new places.

Response: Accept

Completion Date: April 2019

- a) The identified aims of the Band B Programme are to:
 - a. Reduce the number of poor condition schools and colleges;
 - b. Ensure that we have the right size schools and colleges, in the right location that:
 - i. Provide enough places to deliver Welsh and English medium education; and
 - ii. Ensure the effective and efficient use of the educational estate.

Ensuring that we have the right sized schools and colleges allows our partners to promote projects that address both too few and too many places to ensure that local needs can be reflected. We have regular engagement with those local authorities which are facing pressure for places to understand the need for investment. Welsh Government policy officials who deal with provision of school places assess business cases for investment and ensure that surplus places are addressed through this process.

Band B Programme proposals include projects that both address surplus capacity and sufficiency of places, and the Cabinet Secretary has committed to support these proposals subject to business cases.

- b) The developing Programme specifies that we wish to have enough places to deliver Welsh-medium education, and our updated Guidance refers to the Welsh Government priority of one million Welsh speakers by 2050. The Business Cases submitted include reference to Welsh medium education and have been assessed by officials responsible for oversight of Welsh in Education Strategic Plans. Where colleagues have identified the need for additional information, this has been referred back to authorities and will also be reflected in future discussions.
- c) The Strategic Outline Programme documents submitted in July indicate church school projects with a capital investment value of c£180 million, comprised approximately 70% Voluntary Aided and 30% Voluntary Controlled. Our current understanding is that in most cases, the drivers for investment in Church Schools in Band B are based on the condition and efficiency of the estate, rather than on pressure for additional places.

We are also working with Diocesan authorities in respect of Church schools to understand any further demand for investment in the sector. The funding mechanism employed for church schools has been revised so that the 85% allocation given to church schools does not form part of the 50% authority allocation. It is hoped that this will ease pressure on the sector who deliver their projects collaboratively with authority partners.

- d) We work closely with all of our partners and part of this work involves identification of where pressure for places may occur. This work will be ongoing as the Band B Programme develops and throughout its' delivery.

Recommendation Six

Some of the completed new school buildings are not achieving the Welsh Government's energy efficiency and sustainability targets for the programme. We recommend that the Welsh Government strengthens its work with councils to:

- a. liaise with industry experts to understand the gap between expected and achieved energy efficiency performance and how it can be remedied and reduced in future projects.**
- b. challenge business cases that rely on significant savings from energy efficiency technology in the whole life cost assessment robustly; and**
- c. encourage schools to assess their energy use when the building is first occupied and then annually to ensure that they are benefitting from the anticipated recurring savings in energy costs.**

Response: Accept

Completion Date: July 2018

- a) Work has already been carried out to address this recommendation. A Best Practice Guide has been prepared and was presented to partners at three seminar events held in May. This Guide has been translated and will now go through gatekeeping in order to be published in the New Year. The Guide was prepared by Constructing Excellence in Wales in consultation with the construction industry. Our Business Case Guidance has also been updated to reflect good practice and is currently in gatekeeping so that it can be published on our website before the end of the year.
- b) All business cases received are scrutinised by an Economist during the assessment process to ensure robust challenge of the value for money of projects and includes consideration of whole life costing and identification of potential cost reductions as a result of the build. We are also working with our Economists to run three Economic Case Training events for our delivery partners. Two events have been delivered in Carmarthen and Llandudno, with a further event to be held in Merthyr Tydfil on the 11 December.
- c) Our post occupancy review is being piloted with an expectation of wider roll out by July 2018. This survey includes identification of anticipated energy use and actual energy use to ensure that anticipated savings are being made.

Recommendation Seven

Analysis of the costs of completed Band A projects shows significant variation in the total costs as well as in ICT and fixtures, fitting and equipment costs. New schools have exceeded the maximum industry area standards by 7-10%. Some projects are using an approach known as Building Information Modelling in the design and construction phases that has been shown to achieve time and cost savings as well as improving quality. The Welsh Government should build on work already carried out to:

- a. reach agreement with councils, other partners and industry representatives on the options for bringing greater standardisation to the projects including floor area and elements of the build;**
- b. require the use of Building Information Modelling in projects within the programme; and**

- c. **provide more detailed guidance about the level of IT and fixtures, fittings and equipment that can be funded from the programme to ensure consistency between projects.**

Response: Accept

Completion Date: March 2019

- a) Agreement has been reached with local authority partners on the standard size and cost for new schools that will be funded by Welsh Government within the Programme. This standard is based on the sizes prescribed by BB98 and 99. The cost per square metre includes all above ground work, plus sub structure, design costs and external works. The cost per square metre was set at £2,500 (2016 costs). This work is being extended to identify a standard cost for further education, which sees more variation in the types of accommodation needed to deliver both academic and vocational learning.
- b) We agree to include the requirement for Building Information Modelling and the Band B Programme will be developed on that basis. The position is currently being considered at a Welsh Government-wide level, and we have committed to progressing this as soon as possible.
- c) We have provided guidance around the maximum investment per pupil that can be funded from the Programme for fixtures, fittings and equipment and IT. This is set at a per pupil rate of £1,100 for fixtures, fitting and equipment and £500 for IT, based on 2016 prices. The reason that we have applied a cost per pupil, rather than a specification is that this is a matter of policy for local authorities / Further Education Institutions. In addition, as IT is a fast moving area, it is likely that any such guidance would become quickly outdated.

Recommendation Eight

There is evidence that the regional procurement frameworks are not operating as intended, with some duplication and councils not adopting good practice in procurement methods. The Welsh Government should:

- a. **ensure that councils adopt accepted good practice in the approach to construction with a presumption in favour of design and build (excepting projects funded through the Mutual Investment Model);**
- b. **improve communication with industry on the likely timing and scale of work under the frameworks;**
- c. **understand and address the reasons why some councils are conducting pre-tender exercises despite contractors already having gone through the same process to get on the frameworks; and**
- d. **engage stakeholders, including councils and the construction industry, in developing and finalising the procurement framework in light of changes for Band B.**

Response: Accept

Completion Date: March 2019

- a) The Welsh Government has already adopted space and cost standards that will encourage local authority best practice and we improve partnership working to keep information on the pipeline of projects up to date and look to highlight upcoming

projects on our website. We are happy to encourage a design and build approach, however recognise that this will not be appropriate for all authorities.

- b) Industry engagement took place in October in respect of the Mutual Investment Model, with reference to capital Programme. Further engagement will take place once the budgetary requirements of Band B investment have been mapped out (following receipt of Local Authority and Further Education Institution information on their planned timescales for project delivery).
- c) From recent engagement it appears that there are a number of reasons why some authorities may wish to undertake pre-tender exercises. The most common of which occurs when batching of schemes has been desired. This exercise ensures that there are no procurement challenges should this route be sought. We continue to work with our partners to understand the different procurement routes available within the existing frameworks and will work with the Frameworks to understand whether any changes are necessary to allow for batching to take place without this additional step.
- d) We will work with our partners to ensure that the procurement frameworks are appropriate for our Band B Programme. This will involve seeking evidence from authorities and from the Frameworks in place.

Recommendation Nine

The Welsh Government has now established more clearly than in the past what benefits it wants to achieve through the programme. It has established a discrete set of targets for local supply chain, apprenticeships and training and STEM engagement with schools.

It is also clear that a future priority will be to make more community use of the school buildings. To increase the wider benefits flowing from investment in the programme, the Welsh Government should:

- a. **ensure that its targets for projects remain stretching over time;**
- b. **promote good practice in achieving community benefits, for example through regularly updated the 21st Century Schools website, regional networks and industry events; and**
- c. **review how the identified barriers to increasing community use of school buildings can be addressed in Band B of the programme.**

Response: Accept

Completion Date: March 2019

- a) We agree that targets should remain stretching and these will be reviewed over time.
- b) To facilitate sharing of best practice, the Welsh Government held three seminars in May in partnership with Constructing Excellence in Wales to update partners on a number of subjects, including community benefits. The seminars also included opportunities to network and share best practice. We will continue to work with stakeholders to promote a consistent approach and our website is being updated to publish additional materials relating to good practice and updated guidance.

- c) Increased community access to school buildings is a priority identified in Band B, with an Investment Objective to improve flexibility of assets. Propositions for Band B projects are being developed and we will continue to work with partners to ensure that cultural and practical barriers to increasing use of assets are overcome. This might involve a range of actions including designing schools to provide separate access for the community, and introducing claw back clauses into contracts so that if additional funding is provided for community space, it is subject to claw back should it not be used for this purpose.

Work has also been undertaken to identify wider Welsh Government work that might contribute to the community use of assets ahead of plans to create a Task and Finish Group to address best practice; removal of barriers; and funding.

Recommendation Ten

The Welsh Government has put in place arrangements for technical support to the programme. It has strengthened the capacity of its own team through recruitment of experts in public-private finance. It is also setting up framework contracts to provide technical support to councils. Given the technical changes to the programme under Band B, the Welsh Government should, at the end of 2018, fully review whether the arrangements are working to:

- a. **provide the Welsh Government with the technical expertise it needs to manage and oversee the programme; and**
- b. **provide councils with the technical support they need to plan and deliver the programme locally.**

Response: Accept

Completion: December 2018

- a) A technical advisor has been appointed from Vale of Glamorgan Local Authority to advise on the development of the Band B Programme, particularly in respect to the Mutual Investment Model.
- b) A mini tender was carried out to secure technical support for both the Mutual Investment Model and capital elements of the Programme. This exercise failed to secure a consultancy to provide technical support. As a result, a full OJEU process has been undertaken to secure technical support for the Mutual Investment Model. This contract has been out to tender and returns are being assessed. Technical support for the capital element of the Programme will be accessed via existing Framework contracts set up in-house to allow access to technical support. These arrangements will be reviewed at the end of 2018 to ensure that they are fit for purpose.

