

CBI BRIEF

More than bricks and mortar

Delivering Building Schools for the Future

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The government's ambitious £45bn Building Schools for the Future (BSF) programme to renew or rebuild every secondary school in England has been underway since 2003. But BSF must be about more than just bricks and mortar: it must be about making education transformative and life changing. It is vital that we make the school environment the best place for children to learn the skills and ideas that shape their lives.

The BSF programme is the largest single schools capital investment initiative in England for over 50 years. It will affect and potentially transform the lives of children going through the secondary schools system by overhauling old school buildings and delivering teaching and learning environments in which young people can really develop.

The CBI is fully behind these aims. But key issues need to be addressed if the programme is to increase momentum and provide children and teachers with the best environments for learning. BSF must be given the political backing it needs to be deployed across the country, education and related services must be central to the way in which BSF schools develop and the procurement process must be shortened and simplified to save time and money.

At present only 45% of young people leave school with a C grade or above in English and maths at GCSE level. This has a knock-on effect on our economy: only 60% of the adult population have at least the basic skills needed to succeed in the workplace, compared with 72% of adults in France and 78% in Germany.¹ A revolutionary approach is therefore needed to deliver the improvements in educational outcomes for our young people. This will be crucial to positioning the UK in what the Prime Minister has called the 'global skills race'.² The UK needs a skilled workforce to match international competitors such as the US and Japan and compete with the growing challenges from China and India.

Together with other school investment, BSF has raised capital spending from £90 a year per pupil to £680.³ Business has a strong stake in the success of the BSF programme. Business wants to be confident taxes are spent effectively and children are leaving the education system with the right skills needed for work and life. Business as a provider of public services also has a role to play in delivering the goals of BSF and by bringing long-term investment, efficiency and expertise to the programme.

The BSF programme has been gaining momentum, particularly since the start of 2007 with more projects reaching financial close and nine BSF schools opening. The CBI recognises the efforts made by Partnerships for Schools (PFS), the agency charged with delivering BSF, in driving the programme forward.

The Department for Children, Schools & Families (DCSF) has consulted on waves 7 to 15 of the programme proposal to widen the criteria by which local authority entry into BSF is assessed. This is a welcome opportunity to learn lessons from previous BSF projects and to drive forward the delivery of the programme. Local authorities ready to enter the programme should not have to wait because of the 'wave' they are allocated.⁴

But there are signs the potential for transformation offered by the BSF programme is at risk. This brief identifies issues around high-level political direction, capacity of the programme and capability of procurement officials. Political support from government is needed to bring local authorities, schools and local communities on board. Joining up wider initiatives is essential to truly meet the needs of local communities and to achieve the public and private capacity to deliver BSF projects. The failure to achieve this has been a concern across the programme from the start. It is essential this is addressed to ensure lessons learnt from early BSF projects are taken forward when renewing the remaining schools estate.

It is vital we get the BSF programme right and CBI members are ready to help make it a success. Improvements are much needed: in 2004, the government set itself the target of having 100 BSF schools open by the end of the financial year 2008-09, but only 13 schools have opened in the five years since the first schemes were launched, and only 20 deals have so far been signed to deliver the programme.

The CBI hosted a public-private roundtable to identify the key challenges and solutions for procurers and suppliers. Representatives from the DCSF, PFS and CBI member companies all contributed to answering key questions on issues around the future of BSF. We will continue to work with these partners to ensure the sustainable and successful delivery of BSF. The CBI believes the following are essential for the programme to be a success:

- Putting education first
- Decisive leadership from DCSF
- A long-term commitment to the BSF programme
- Improvements to the procurement process.

CBI RECOMMENDATIONS

To increase BSF's momentum and make it a success:

- Educational goals must be at the heart of the BSF programme and DCSF ministers must drive them forward
- DCSF must take charge of joining up policy at central government level. Partnerships for Schools should encourage local authorities to join up with wider health and education initiatives by working with Local Strategic Partnerships and Local Area Agreements
- DCSF must promote BSF to all local authorities through a campaign with ministerial backing. And Partnerships for Schools' 'bidder days' bringing together stakeholders from local government and private and voluntary sector organisations should be promoted further
- Fundamental decisions such as whether the project will be a Private Finance Initiative (PFI) and whether facilities management (FM) will be included must be made early on in the process – and where new schools are being built funding should be ring-fenced to ensure full-life costing on a PFI model
- Environmental sustainability requirements must be part of BSF contracts

- A 'template of services' should be made available on the Partnerships for Schools website, listing the different services that could be included in a local authority's BSF programme
- Partnerships for Schools should work with organisations such as the Improvement and Development Agency (IDeA) and 4ps to gather and publish a portfolio of case studies on operational BSF projects and partnerships, highlighting good practice examples of authorities including wider services.

To improve and speed up the procurement process:

- Local Education Partnership (LEP) project boards should have an independent chair and there should be a senior responsible owner on both sides of the partnership
- Local authorities need to take advantage of training and support from other public sector bodies with procurement expertise, and be ready to share their experiences
- Partnerships for Schools should undertake a further review of the timeframe to get through the Competitive Dialogue process and ensure its updated guidance is fit for purpose.

Putting education first

BSF should not solely be about rebuilding and refurbishing school infrastructure but about making changes to the way education is delivered to young people.

A modern schools estate is vital to improving educational outcomes. Academic research suggests *"Physical elements in the school environment can be shown to have discernible effects on teachers and learners. In particular, inadequate temperature control, lighting, air quality and acoustics have detrimental effects on concentration, mood, wellbeing, attendance and, ultimately, attainment"*.⁵ This is also echoed by pupils and teachers – nine out of ten young people say they do not feel inspired by current schools and only 20% of headteachers surveyed thought that current schools buildings raise pupils' aspirations.⁶

The poor design of many school buildings – particularly key aspects such as corridors and toilets – have an impact on children's behaviour and wellbeing: a recent medical study found that 40% of children surveyed saw school toilets as a prime site for bullying.⁷ The BSF programme provides an opportunity to use design and construction to tackle these issues.

Research also suggests a link between building design and educational results. A recent KPMG study looking at schools renewed or rebuilt through the Private Finance Initiative (PFI) found:

- Educational attainment improved 20% faster in renewed PFI schools than in renewed, conventionally financed schools
- Educational attainment improved 92% faster in fully rebuilt PFI schools than in fully rebuilt, conventionally financed schools.⁸

BSF should be an integral part of overall education and social policy. The BSF programme was conceived as an outcomes-focused initiative, using long-term investment to achieve positive outcomes for children through cross-authority working and a focus on social regeneration in local areas. If BSF is to achieve these aims and meet the needs of future generations, it must work *"...hand in hand with other major initiatives aimed at improving the quality of education."*⁹ Although there are several government policies linked to the BSF programme such as children's services, health, welfare and housing, these have not so far been linked effectively in to the BSF programme.

The DCSF *Children's Plan*, launched in December 2007, focuses on putting the needs of families, children and young people at the centre of the department's work. This includes introducing integrated services and leadership for Children's Trusts. The plan outlines aims to develop better links between schools, the NHS and other children's services and also engage with parents to tackle all barriers to the learning, health and happiness of every child.¹⁰

“Too focused on building and server routes – the educational vision is becoming lost in translation” CBI MEMBER

So, BSF must fit in with this wider educational strategy. By 2020, the *Children's Plan* aims for every young person to be equipped with the skills for adult life and further study – with at least 90% achieving the equivalent of five higher level GCSEs by age 19, and at least 70% achieving the equivalent of two A-levels by the same age.¹¹ This includes looking at how best BSF can contribute to the 14-19 agenda as part of the programme and as part of a local authority's vision for transformation. This will require providing clarity over other capital programmes such as Building Colleges for the Future which has been launched as an 'integrated capital strategy' with mention of *“...local authorities extending the scope of their BSF for future proposals to cover all settings in which young people aged 14-19 will learn – including FE colleges.”*¹²

The educational goals of BSF must not be forgotten. BSF should be encouraged to integrate wider government policy but not at the expense of the core educational objectives. The DCSF and PFS work with local authorities entering the BSF programme to produce a memorandum of understanding which outlines high-level objectives the authority needs to achieve through BSF. DCSF ministers are also responsible for approving part one of a local authority's Strategy for Change document which shows how the authority plans to meet set objectives. The department must ensure the objectives it sets in the memorandum of understanding have a clear education focus. Education must also be the priority in a local authority's response and the authority should demonstrate it has understood the aims of the programme.

RECOMMENDATION

Educational goals must be at the heart of the BSF programme and DCSF ministers must drive them forward.

BSF should be a flagship programme for a new way of delivering services to children and the local community. The Secretary of State for Children, Schools & Families has recently backed expanding the role of BSF to deliver an education system integrated with other community services and confirmed that BSF is part of the government's strategy for co-location of services¹³ which the whole of the local community can access – such as leisure facilities, health services or adult education facilities. This commitment is welcome, but success will be judged by the extent to which BSF genuinely brings together related services and helps join up support for school children and their communities.

Communities need facilities such as leisure centres and libraries and BSF schools should accommodate these, with LEPs facilitating the co-location of services. In Northern Ireland, the Belfast Schools Programme – similar to BSF – has included the provision of youth clubs, special educational needs schools, libraries, teacher resource centres and outdoor education centres.¹⁴ Some local authorities are beginning to bring in aspects of regeneration and take an innovative approach to the BSF programme. Wigan and Salford are in the process of jointly procuring a LEP and are considering including the development of social housing as part of the LEP's responsibilities. But many private firms have reported a limited appetite for including wider services. The DCSF must take a lead in joining-up these initiatives as part of BSF or risk a missed opportunity.

“You cannot regenerate an area by tackling one issue alone and it is much less efficient if you try to fix these problems later” CBI MEMBER

There are opportunities to bring initiatives together and join-up with other reform programmes – including:

- The NHS Local Improvement Finance Trusts (LIFT), launched in 2001 as a vehicle for improving and delivering front-line primary and community facilities. Forty-five NHS LIFT companies have been formed to date, covering two thirds of England's population¹⁵
- As part of the DCSF *Children's Plan*, the government announced the Primary Capital Programme (PCP), which is responsible for renewing 8,000 of England's primary schools and is due to receive £150m in 2008-09 and £500m in 2009-10. Seven out of the 23 pathfinders for the PCP are wave 1-3 BSF authorities
- The *Children's Plan* also outlines plans to rebuild 3,500 playgrounds across the country.¹⁶

Central government must join-up policies and provide direction on how to link these aims. In April 2008, the Children, Schools & Families parliamentary select committee reported: *"Our concern is about how well the various parts of government will work together...with each part of the system doing its own work but with no-one ensuring that it does all add up to coherent policy and actions."*¹⁷

The report rightly called for the DCSF to be able to lead and ensure decisions are made. This is a fundamental point if the DCSF is to be successful. Children's Trusts are the mechanism for joint working at the local level – but it is unclear how they fit in with BSF and the extent of support for them within local authorities. For example, school improvement services come under the remit of Children's Trusts, but CBI members have reported this is not given much profile within BSF. We welcome the select committee's proposal to hold an inquiry into Children's Trusts later this year and the recently launched review of progress since the *Sustainable Schools: are we building schools for the future?* report.¹⁸

RECOMMENDATION

DCSF must take charge of joining up policy at central government level. Partnerships for Schools should encourage local authorities to link with wider health and education initiatives through working with Local Strategic Partnerships and Local Area Agreements.

Leadership from DCSF will be decisive

The scale of the investment in BSF is not in doubt – by 2020, every secondary school pupil is due to be in a new or fully refurbished school with integrated ICT. This investment is much needed – the majority of existing schools in England were built between 1950 and 1970 and many now need replacing or refurbishment. The Prime Minister recently committed to the programme, saying that by 2010-11, more than 300 schools will be rebuilt or refurbished as part of BSF, with more than 200 academies open or in the pipeline.¹⁹ Significant financial resources are being invested in school buildings:

- Total schools capital investment has risen from under £700m in 1996-97 to £5.9bn in 2007-08 and is projected to rise to £8.2bn by 2010²⁰
- On average £2.5-£3bn of capital investment is being spent on the BSF programme each year²¹
- The typical cost of a new secondary school is between £20m and £22m.²²

Nearly half of all local authorities are now engaged in the BSF process, but CBI members have noted that some of them remain unsure about the programme and the role of Partnerships for Schools. The recent DCSF consultation comments on those authorities at the end of the BSF programme and *"...their feelings of non-involvement"*.²³

Local authority commitment to the programme must be encouraged by the government, with PFS providing support for the initiative. Many authorities may not have resources dedicated to BSF or are unaccustomed to dealing with the amount of investment the BSF programme will bring to their areas. Examples of local authorities working together – such as Bolton and Blackburn with Darwen, which have decided to jointly procure a LEP – should be shared. Both authorities are at different stages of the BSF programme but have realised the benefits of working together to align educational priorities for the area, as well as resource efficiencies as a result of the partnership.

"It is interesting that local authorities in waves 5 and 6 are still asking questions like 'what is an LEP?', 'do we need an LEP?' and 'how does it add value?'..." CBI MEMBER

EXHIBIT 1

Local Education Partnerships – the vehicle for delivering Building Schools for the Future

Local Education Partnerships (LEPs) are joint ventures between a local authority, private sector company, Partnerships for Schools (PFS) and Building Schools for the Future Investment (BSFI). LEPs allow a local authority and a private sector company to engage as partners on the strategy, planning and delivery of the programme through a mixture of Private Finance Initiative (PFI) and conventional funding.

Setting up a LEP reduces the number of competitive procurements by allowing local authorities to procure a number of

projects through one partnership. The LEP then acts as a single point of contact for procuring and providing services and is also responsible for integrating and managing supply chain sub-contractors – such as building contractors, facilities management service providers, ICT suppliers and education support services organisations.

The LEP enters into a Strategic Partnering Agreement with a local authority and is given exclusive rights to deliver the projects in an area for a fixed period, usually ten years, with potential for this to be extended. The long-term nature of the programme and whole-life approach incentivises the private sector partner to drive efficiency and deliver on time and to budget.

Current BSF schemes have a crucial role to play – their success should be publicised and lessons learnt from their experience to inform future waves of the programme. Partnerships for Schools should look to draw all these strands together by providing local authorities with information about the range of services that can be included in their BSF projects. ‘Bidder days’, where PFS give providers and local authorities the chance to meet with each other and Partnerships for Schools to find out more about BSF, should be organised and widely advertised, to generate market interest in BSF. These events are vital to improving dialogue between commissioners and suppliers.

RECOMMENDATION

DCSF must promote BSF to all local authorities through a campaign with ministerial backing. And Partnerships for Schools’ ‘bidder days’ bringing together stakeholders from local government and private and voluntary sector organisations should be promoted further.

BSF should be seen as a long-term commitment

A whole-life approach should be taken to BSF contracts. Integrating service provision and design leads to a whole-life approach to contracts. The PFI offers major advantages both in terms of planning and value for money because design and construction solutions will be based on long-term service delivery considerations over the length of the contract.

There are over 510 PFI projects in operation, of which 94 are educational PFI schemes covering approximately 800 schools.²⁴ These projects have been funded by a total private sector investment of almost £4bn.²⁵ Around half of the schools in the BSF national programme will be funded through PFI.²⁶ One of the benefits of the PFI approach is that it encourages innovation and rigorous planning that allows the infrastructure to change to meet future user needs.

This is crucial for BSF if schools are to be built to deal with such changes, and there is a risk that value for money will be missed if the PFI is not being considered as a means for delivering BSF projects. The PFI ensures schools are maintained for the duration of the contract. Without this, there is a real danger that new schools will not be maintained and BSF will only last a generation as the funding provided for ‘design and build’ schools is often insufficient to cover the full-life costs.

Partnerships for Schools has stated that the PFI is the preferred model for delivery of new schools unless there is a strong business case stating otherwise. But CBI members have raised concerns that many authorities are choosing to opt for the ‘design and build’ route rather than the PFI model – meaning such schools will not benefit from full-life costing and a contractual commitment to maintain them. Evidence shows that soft services such as cleaning, catering and building management are being delivered effectively in PFIs. A Partnerships UK survey found that 65% of public sector managers thought operational performance was good or very good, while 30% thought it was satisfactory.²⁷

“It is uneconomical to work through a bid process under the assumption that facilities management (FM) services will be included to find they are not. This issue is further exacerbated when an FM supplier commits to taking equity in a project to find there is no long-term benefit or income from service provision.” CBI MEMBER

There is a huge risk of creating a two-tier schools estate, in which BSF schools built through a PFI model are maintained in the long term by the same contractor and others are not. Local government project delivery specialists 4ps have warned of the potential problems of this approach:

“...the majority of BSF schools will now be returned to the pre-PFI world of uncertain levels of care, with a likely result that schools in poorer areas will deteriorate in much the way that they used to do.” 4PS²⁸

The BSF programme is an example of how the PFI model has adapted to different services and of a long-term partnership between the private and public sectors. We welcome HM Treasury’s commitment to commission a survey of operational PFI projects and the current issues they face, and the NAO’s review of BSF and Partnerships for Schools. These will be important in identifying challenges and addressing concerns to ensure the BSF programme is continually improving.

RECOMMENDATION

Fundamental decisions such as whether the project will be a Private Finance Initiative (PFI) and whether facilities management (FM) will be included must be made early on in the process – and where new schools are being built funding should be ring-fenced to ensure full-life costing on a PFI model.

BSF is also an opportunity to deliver environmentally sustainable schools. The government’s plans for environmental sustainability include targets for all new non-domestic public sector buildings to be zero-carbon emitting from 2018.²⁹ The CBI report *Building on success: the way forward for PFI* recognises that services which take account of their whole-life environmental impact are more likely to deliver efficiencies and value for money – for example, energy-efficient technology and fixtures and fittings can be cheaper to maintain over the long run.³⁰

Schools account for 15% of public sector carbon emissions.³¹ BSF should aim to reduce this as part of the construction of new school buildings. Groundwork, a voluntary sector organisation, has partnered up with Balfour Beatty Capital to provide advice on community engagement, local priorities and sustainable issues. It has been working with Balfour on the Knowsley BSF project and other PFI projects including hospitals and social housing. The partnership allows sustainability to be considered throughout the programme, including during the planning and design stages. It also educates children in the school who are shown how sustainability is affecting the way their school is built and run.³²

RECOMMENDATION

Environmental sustainability requirements must be part of BSF contracts.

BSF is not just an opportunity to make schools environmentally sustainable. It also provides a chance to bring in private and voluntary sector expertise in how children are taught and teachers are supported. Including school support services such as mentoring, governor support and curriculum development as part of the BSF programme could help deliver true educational transformation in schools – but these services are not being included in BSF deals.

Outside of BSF, providers are already working in partnership with local authorities to deliver support services in schools. Edison Schools UK provides senior management staff and has introduced innovations including changes to the way supply staff are used and how discipline policies are developed for pupils. Other examples of this kind of innovation include Learning21, a joint venture between VT group and Costain, and Environments for Learning (E4L) – a partnership between Interserve and Mott MacDonald. Schools should be encouraged to look at educational support services as part of the ongoing BSF contract.

“Most schools do not change their curriculum, organisation or teaching and learning practices. Without changes here, transformation is necessarily limited”

CBI MEMBER

The Education and Inspections Act 2006 gave local authorities more autonomy over deciding their own spending priorities and procuring services – but this has not resulted in a widespread move from providing to commissioning services as the government had intended. The CBI report *Could do better: encouraging alternative provision in educational support services*³³ highlights concerns that many schools are not taking advantage of the expertise available in the provision of school services.

Local authorities should be encouraged and supported by PFS to bring together different services which meet the needs of schools in their area. Sharing information on experience is a key part of this. The Improvement and Development Agency (IDeA) has launched an online ‘partnerships and places’ library which shares local authority good practice on a range of areas including education and procurement.

RECOMMENDATION

A ‘template of services’ should be made available on the Partnerships for Schools website, listing the different services that could be included in a local authority’s BSF programme.

Partnerships for Schools should work with organisations such as the Improvement and Development Agency (IDeA) and 4ps to gather and publish a portfolio of case studies on operational BSF projects and partnerships, highlighting good practice examples of authorities including wider services.

EXHIBIT 2

The benefits of using private sector expertise to deliver educational improvements

Research shows that private providers are helping to improve outcomes:

- CEA@Islington, run by Cambridge Education, provides the full range of school services– including support for ethnic minority pupils, special needs provision and inclusion and support services. Islington local authority (formerly LEA) has the most improved performance in the country, with pupils gaining five or more GCSEs or equivalent at A*-C grade rising from 27% in 2000 to 47% in 2006
- VT Four S is a joint venture between VT group and Surrey County Council. The company delivers all school improvement services for Surrey, including training and development for school governors and staff. School satisfaction with VT Four S is at 91% – higher than the Surrey County Council target of 85%
- In Walsall, run by Serco’s Education Walsall, attainment of five GCSEs at A*-C grade increased from 37% in 2001 to 50% in 2006. The 2006 results were four percentage points higher than the previous year, double the target set by the former Department for Education & Skills.

The focus on long-term partnership must not end once the LEP is formed. At the moment, LEPs are often seen simply as contracts – this has to change. Joint working is vital, especially if the LEP is to be sustainable over ten to fifteen years or longer. The Competitive Dialogue process must be used more effectively to ensure that partnering issues are dealt with during dialogue phases rather than once the preferred bidder has been selected. CBI members have raised concerns that due to the huge pressure to deliver and build schools, LEPs work well up to financial close but can lose focus on longer-term goals after the contract has been signed, with the emphasis heavily on the core construction aspects at the expense of the educational vision. This is understandable to gain momentum in the programme, but risks losing sight of the original long-term objectives.

The *Building Schools for the Future Procurement Review* commented that local authorities needed a better understanding of long-term partnering relationship.³⁴ The CBI believes for this to be a success:

- Local authorities need to take ownership of issues such as planning implications, working with local governance structures, councillors and preparing engagement with education stakeholders such as parents, teachers and school governors
- The private sector partner must be responsive and ready to listen to the needs of the local authority and should also manage the expectations of the authority by being clear about what it can and cannot achieve and setting timeframes for delivery.

“We are very supportive of the LEP as a procurement vehicle and the opportunity for partnership working it offers” CBI MEMBER

Local authorities’ priorities regarding BSF must start with the needs of children and their local community and look to identify what the school and teachers want to achieve. Procurement of the services and infrastructure should be around these objectives. To do this, local authorities need to clearly define their role in LEPs with regard to educational transformation, including their interaction with the private sector partner. PFS should take the lead in reviewing partnership working and ensure the focus is maintained

after contracts are signed. Developing a relationship based on more than just contract management is vital to the success of the partnership between the private sector and local authority.

“Asking different questions to different groups in the community is fundamental – particularly engaging with parents of primary school children, who will be directly impacted by these changes to their local school”

LOCAL AUTHORITY OFFICIAL

Governance arrangements must be fit for purpose, particularly when managing complex projects. The CBI brief *Improving delivery: realising best practice in procurement and contract management*, recommends that all projects should have a named sponsor at the highest level to provide strategic vision and a point of accountability through the whole life of the contract.³⁵ This is particularly relevant to BSF for promoting the continuity of the LEP over the long-term and developing a positive relationship between the LEP and local authority.

There should be strong leadership on both sides of the LEP. Improving the level of involvement of a local authority’s director of finance or regeneration as well as the director of education will help ensure the wider needs of the community are taken into account – this local level commitment is every bit as vital as high-level political commitment from ministers and officials.

On both the LEP and local authority side, key staff should be involved throughout the whole life of the service wherever possible – from setting the specification to project completion. Where continuity is not possible, records must be kept of how decisions made in the pre-procurement phase affect operational performance. The senior responsible ownership role should also be extended beyond the procurement team to provide continuity, ownership and direction throughout the project at a local level.³⁶ LEP project boards should have an independent chair with responsibility for bringing together the private sector and local authority and helping manage the relationship between all partners.

The CBI believes a review of operational LEPs is needed to assess whether the LEP model is working and to reassure local authorities in the BSF process (or waiting to enter) that procuring a LEP is the most suitable framework for this programme. The first phase review due to report in summer 2008 will therefore be crucial.

Building Schools for the Future Investment (BSFI) is a central investor in BSF, one of whose goals is to ensure BSF programmes are delivered. There is an important role for BSFI, as a representative on all LEPs and other partnership boards, to stimulate dialogue and share good practice and experiences between partnerships. PFS should also bring together LEP general managers and LEP boards as part of this to enable the sharing of good practice and experiences with the process. This will help assess and identify areas for local authorities to improve and develop their contract management skills.

RECOMMENDATION

LEP project boards should have an independent chair and there should be a senior responsible owner on both sides of the partnership.

Making improvements to the procurement processes is vital

Serious criticisms around procurement and its links to delays in the BSF programme remain. The CBI does not doubt there will be challenges in procurement with a programme on the scale of BSF. But it currently takes approximately 30 months from start of the process to reach financial close.³⁷ This has to change. Improvement is essential to getting BSF back on schedule, and the CBI supports moves made by PFS to review the procurement process in order to gain momentum in delivering educational facilities for young people.

The CBI welcomes the DCSF consultation on waves 7 to 15 of the BSF programme on whether to widen the criteria to assess local authorities' entry into BSF. Criteria to allocate initial waves were based on targeting areas of need according to educational attainment and social deprivation. But, there is now little to differentiate authorities coming into the programme from those waiting

to enter. So adopting a 'readiness to deliver' approach to prioritise projects, as with waves 4 to 6, is a positive way of bringing authorities into the programme.³⁸ The CBI believes this should be weighted more heavily in the evaluation criteria when selecting authorities for entry into the BSF programme. These changes will help to accelerate the pace of delivering BSF projects.

Developing the procurement skills of staff involved in commissioning is central to speeding up the process of procuring a BSF partner. It is essential that the £2.2bn spent on BSF annually results in the best possible value and quality. In the 2007 CBI public procurement survey, 67% of respondents thought current public procurement did not result in good value for the taxpayer.³⁹ Currently, there is varying quality of procurement expertise across local authorities and CBI members have commented on a lack of commercial sophistication in some. The survey also found that 87% of respondents rated the commercial skills of public sector procurement professionals as only adequate or less. In addition, a recent National Audit Office report found that one in six contract managers of PFI schools surveyed described their teams as under-resourced.⁴⁰

Procurement staff need to be equipped to draw up well-defined project specifications and to conduct the procurement process. Local authorities have to build the capability of their staff to deal with this process effectively. Local authorities such as Leeds City Council have set up a dedicated PPP/PFI unit where this expertise is based. The unit also holds an annual open day where suppliers can be introduced to the council and discuss opportunities for involvement, which is a positive way of engaging in dialogue with the market. Business is also working with local government representatives to address procurement issues. The Local Government Association and the CBI have established a joint commissioning forum to discuss how challenges and opportunities can be met in strategically commissioning services.

CBI members involved in BSF have found that many local authorities are 'sorely stretched' when it comes to the expertise needed to deal with the BSF programme and that they often lack the resources to be able to manage the partnership or procurement effectively. This must be addressed. The training programmes available through the DCSF, 4ps and, now, PFS, must be promoted and made widely available to local authorities' procurement teams.

Procuring authorities must be well-prepared to conduct the procurement process and be ready to share their experience with other authorities. Moves by PFS to spread good practice by organising meetings of LEP chairs are also welcome and will play an increasingly important role as the BSF programme gathers pace. This also includes being able to call on 4ps and Regional Improvement and Efficiency Partnerships to help with procurement issues.⁴¹

RECOMMENDATION

Local authorities need to take advantage of training and support from other public sector bodies with procurement expertise, and be ready to share their experiences.

One of the main issues surrounding this programme has been the costly and time-consuming process of forming LEPs, which are tasked with delivering BSF projects. To date, only 12 LEPs have been formed, despite the

government having set a target of opening 100 BSF schools by mid-2009, and it currently takes approximately 82 weeks to complete the Competitive Dialogue process. The financial and human resources costs of bidding for a LEP are significant:

- Companies estimate the cost of bidding to form a LEP is £3-5m. There is also a cost to local authorities to run this process⁴²
- Approximately 2-3% of the capital cost goes towards preparing the specification and procurement, therefore a scheme with a capital cost of £150m will cost £3-4m to plan and procure.⁴³

The CBI believes there is an opportunity to use the Competitive Dialogue process more effectively. The CBI brief *Actions speak louder than words: Unlocking the full potential of competitive dialogue*, published in May 2008, outlines support for the Competitive Dialogue procedure as a means for facilitating more up-front engagement with suppliers, but one which requires thorough preparation

EXHIBIT 3 Current and proposed timescales for the competitive dialogue process for forming a LEP

Current process (82 weeks)			Proposed process (75 weeks)		
	WEEKS	BIDDERS		WEEKS	BIDDERS
Prequalification	0 8	All	Prequalification	0 9	All
Long-listing	9 14	5-8	DIALOGUE PHASE 1	10	3
DIALOGUE PHASE 1	15	3	Evaluation	29	
Evaluation	43		DIALOGUE PHASE 2	30	2
DIALOGUE PHASE 2	44	2	Final tender preparation		
Final tender preparation			Evaluation	55	
Evaluation	61		CLOSE AND MOBILISATION	56 74	Partner
CLOSE AND MOBILISATION	62 81	Partner			

Source: BSF Procurement review on behalf of PFS, PricewaterhouseCoopers, May 2008

and procurement expertise from the procuring authority.⁴⁴ The CBI welcomes the recent HM Treasury guidance on conducting tenders in complex projects under the competitive dialogue process⁴⁵ – this builds on the CBI’s recent brief.

Partnerships for Schools should work with 4ps to use the Gateway Review Process, which is seen as best practice in project and programme delivery across central and local government,⁴⁶ to develop a stage where the procuring authority is reviewed to assess its preparedness in terms of capability and resource to deliver projects, in advance of the OJEU (Official Journal of the European Union) notice. The Gateway Process can also help discourage local authorities from making too many changes to tender documents during the Competitive Dialogue process, as this increases the chances of the local authority failing to pass through the Gateways tests for readiness to begin procurement.

Procuring authorities need to be commercially aware when procurements are not conducted well – particularly in relation to complex projects such as BSF – as the costs to the public can be significant. Talking to the market early and often is vital to ensure providers and local authorities are aware of one another’s priorities and capabilities. Significant improvements are required in this process to reduce cost and procurement timeframes. The CBI believes the following principles should be at the heart of the procurement process:

- Detailed preparation and early supplier dialogue are building blocks for success
- The dialogue phase can deliver innovation but only if managed by a well prepared client.⁴⁷

The proposals in the *Building Schools for the Future Procurement Review* to reduce the Competitive Dialogue timeframe to 75 weeks, use pre-qualification questionnaires (PQQs) more effectively and narrow the field from three bidders to two much earlier in the process are welcome steps.⁴⁸ A sensible timetable should be in place, while ensuring accountability and approval frameworks to achieve

best value for the taxpayer. But 75 weeks should not be the norm – it is important that as lessons are learnt the timescale for delivering the LEP continues to be refined. Reducing the time taken should continue to be a priority for PFS.

RECOMMENDATION

Partnerships for Schools should undertake a further review of the timeframe for getting through the Competitive Dialogue process and ensure its updated guidance is fit for purpose.

“Guidelines do not contain any of the detail needed to translate theory into practical programmes for bringing about genuine improvements” CBI MEMBER

Forming a LEP is a complicated process for private sector providers and local authorities and it is vital that changes to simplify the process are implemented as soon as possible. Streamlining and simplifying documents will also help. The CBI welcomes the steps taken by PFS to address issues from the pathfinder stage and waves 1-3 and 4-6. Changes such as replacing the *Strategic Business Case* and *Educational Vision* documents which had formed the basis for starting the BSF process with the *Strategy for Change* document for local authorities in wave 4 and beyond will help reduce procurement time for future BSF waves.

Standardised documentation helps organisations bidding for more than one BSF project and there will be a better understanding of what is required, but this should be reviewed to ensure guidance is fit for purpose. Updated guidance can reflect lessons learnt and feedback from bidders, and can ensure documentation is in line with possible new criteria on entering the BSF programme.

Footnotes

- 1 *Shaping up for the future: the business vision for education and skills*, CBI, April 2007
- 2 Speech by Prime Minister, Gordon Brown, 28 January 2008
- 3 *Five year review*, Partnerships UK, 2007
- 4 The BSF programme is split in to 'waves' of local authorities. All BSF local authorities are grouped in one of 15 'waves', which are launched on approximately an annual basis. The grouping was initially based on a deprivation score (GCSE attainment and free school meal uptake), with the local authorities and schools most in need being prioritised for BSF funding. From wave 4, local authorities have also had to demonstrate their readiness to deliver BSF. A local authority may appear in several waves, depending on the scale and condition of their schools estate
- 5 *The Impact of School Environments: a literature review*, Steve Higgins et al for the Design Council, September 2005
- 6 Speech by Partnerships for Schools Chief Executive, Tim Byles, 'Building Schools for the Future: the 3 Rs,' 11 January 2008
- 7 'Buildings and behaviour' Nick Peachey in *The Education Network update*, June 2003
- 8 *Investment in school facilities and PFI – do they play a role in educational outcomes?*, KPMG, February 2008
- 9 *An introduction to Building Schools for the Future*, Partnerships for Schools and 4ps, 2007
- 10 *The Children's Plan: building brighter futures*, Department for Children, Schools & Families, December 2007
- 11 op cit, 10
- 12 *Building Colleges for the Future: the LSC's national capital strategy for 2008-09 to 2010-11*, Learning & Skills Council/ Department for Innovation & Skills, March 2008
- 13 'Balls backs wider role for Building Schools', *PublicPrivateFinance*, 4 April 2008. The Secretary of State was speaking at the opening of the Michael Tippett Special Educational Needs school in Lambeth, London
- 14 'Beginning of a new future for Belfast Schools', Belfast Education and Library Board/Amey, 7 March 2007
- 15 www.communityhealthpartnerships.co.uk
- 16 op cit, 10
- 17 *The Department for Children, Schools & Families and the Children's Plan*, House of Commons Children, Schools and Families Select Committee, April 2008
- 18 *Sustainable schools: are we building schools for the future?*, House of Commons Education & Skills Select Committee, August 2007
- 19 *PM's key commitments to the public*, Gordon Brown, 1 March 2008
- 20 *Infrastructure procurement: delivering long-term value*, HM Treasury, March 2008
- 21 www.p4s.org.uk
- 22 *The Academies programme*, National Audit Office, February 2007
- 23 *The management of Building Schools for the Future waves 7 to 15*, DCSF, April 2008
- 24 *Infrastructure procurement: delivering long-term value*, HM Treasury, March 2008
- 25 www.number10.gov.uk/output/Page10503.asp
- 26 op cit, 9
- 27 *Report on operational PFI projects*, Partnerships UK, 2006
- 28 Memorandum submitted by 4ps to the House of Commons Education & Skills Select Committee, June 2006
- 29 *Budget 2008*, HM Treasury, March 2008
- 30 *Building on success: the way forward for PFI*, CBI, 2007
- 31 'Spend to save' thinking, Richard Simmons, CABI, 2 November 2007
- 32 Groundwork newsletter, Issue 40, 2007
- 33 *Could do better: encouraging alternative provision in educational support services*, CBI, 2007
- 34 *Building Schools for the Future procurement review*, PricewaterhouseCoopers, May 2008
- 35 *Improving delivery: realising best practice in procurement and contract management*, CBI, November 2006
- 36 op cit, 35
- 37 op cit, 9

- 38 *Readiness to deliver: guidance for Local Authorities in BSF waves 4-6*, Partnerships for Schools, June 2006
- 39 *CBI Public Procurement Survey*, CBI, December 2007
- 40 *Making changes in operational PFI projects*, National Audit Office, January 2008
- 41 *Actions speak louder than words: unlocking the full potential of Competitive Dialogue*, CBI, May 2008
- 42 *CBI submission to the House of Commons Education & Skills Select Committee inquiry into Sustainable Schools*, CBI, June 2006
- 43 op cit, 9
- 44 op cit, 40
- 45 op cit, 20
- 46 www.ogc.gov.uk/what_is_ogc_gateway_review.asp
- 47 op cit, 40
- 48 opt cit, 34

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