



Llywodraeth Cymru  
Welsh Government

**Tracey Burke**

Cyfarwyddwr Cyffredinol / Director General

Y Grŵp Addysg a Gwasanaethau Cyhoeddus  
Education and Public Services Group

28 February 2019

Dear Mr Ramsay,

**21<sup>st</sup> Century Schools and Education Programme**

In your letter dated 24 July 2018, you asked for a further update in January 2019 on Band B of the 21<sup>st</sup> Century Schools and Education Programme, including the issues raised in your letter and the Auditor General's recommendations. You also asked for an update on the Band A position.

I have prepared the attached update paper, which I hope is helpful to the Committee.

Please let me know if you would like further information or clarification.

Yours sincerely

**Tracey Burke**

**Director General, Education and Public Services**



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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.

# WRITTEN RESPONSE TO THE PUBLIC ACCOUNTS COMMITTEE

## 21<sup>st</sup> CENTURY SCHOOLS AND EDUCATION PROGRAMME

### Introduction

As requested in the letter from the Chair of the Public Accounts Committee of 24 July 2018, this paper provides a further update to my letter of 21 August. It covers Band B of the 21<sup>st</sup> Century Schools and Education Programme, including the issues raised in your letter. It also provides an update on the Auditor General's recommendations.

### 1. Programme Update

#### Band A

Band A of the Programme will officially end in March 2019, having seen over £1.4 billion invested in the education estate across Wales since 2014. As of December 2018, Band A will have supported 170 school or college rebuild or refurbishment projects. To date 134 of these have been completed and a further 27 are under construction. We are working with our delivery partners on a further five projects which we still hope to support under the Band A umbrella.

Annex A provides a break down of Band A progress by delivery partner. Business Justification Cases (BJCs) are typically used for smaller projects under £5 million in total value. The information is in a different format to that provided previously. The Tables provided in my June 2018 paper were put together in a bespoke way, specifically for my Committee appearance. The Table in Annex A is what we provide on a monthly basis to the Investment Panel and is regularly updated and verified. It highlights that Band A is now substantially complete. There are lots of reasons why projects do not get delivered or are delayed. Similarly, opportunities for additional or urgently needed projects often appear and require support at short notice. It's this flexibility that enables the programme to deliver as it has.

#### Band B

Band B of the Programme officially begins in April and will see a further £2.3 billion invested. However, we are already working with our delivery partners to get Band B projects off the ground. Under Band B we have received 21 business cases to date, four of these are for Further Education (FE).

Six business cases, with a combined capital value of £45.8 million, are fully approved and under construction. They are: –

- Carmarthenshire – Ysgol Pum Heol
- Carmarthenshire – Ysgol Pembrey
- Conwy – Ysgol Gogarth
- Flintshire – Connah's Quay High School Phase 3
- Swansea – EOTAS unit

- Coleg Cambria – Yale Technology Hub

Two other business cases, with a combined capital value of £32.4 million, have very recently been approved by the Investment Panel but, at time of writing, have yet to receive Ministerial approval.

Band B will build upon the strengths of the previous Band:

- Ownership and governance will continue in partnership between the Welsh Government, Welsh Local Government Association, Colleges Wales and Diocesan Directors;
- The prioritisation and pace of delivery will continue to be set by our delivery partners based on local priorities and need; and
- Business cases for investment will be developed and tested utilising the 5-Case Treasury Model.

However, we have also looked to strengthen programme delivery based upon what we have learned during the delivery of Band A. Band B delivery will therefore benefit from:

- Simplified business case templates to reduce unnecessary duplication of effort;
- Broader membership of the Welsh Government’s Business Case Scrutiny Group, to ensure cross-policy benefits and outcomes; and
- Standardised size and cost benchmarking, to ensure that as many learners as possible benefit from a 21<sup>st</sup> Century learning environment.

In order to ease the pressures on our delivery partners’ budgets, whilst also maintaining our high ambition for the Programme, the capital element of Band B will also benefit from higher Welsh Government intervention rates. This increase is implemented to provide additional financial support to local authorities and colleges to assure the Programme’s continued financial viability:

- An increase from 50% to 65% for all capital funded mainstream school and college projects; and
- An increase from 50% to 75% for special schools and pupil referral units (PRUs).

With our delivery partners we also plan to restate the strategic nature of the Programme prior to the commencement of Band B along with a renewed ambition that will seek to provide:

- A new generation of schools and colleges that are learning centres for their wider communities; and
- More hubs for community services, offering not just education but a wider array of community activities through improved planning and join-up of infrastructure budgets.

## Mutual Investment Model

In August, I wrote to the Committee in response to its request for assurances that the MIM represented the best value in the round. Since then, by way of a more general update, considerable progress has been made developing the MIM Education Programme. An intensive schedule of briefings has taken place with local authority Chief Executives, Section 151 officers and Directors of Education. Presentations have also been made to the Society of Welsh Treasurers, Association of Directors of Education in Wales and the Consortium of Local Authorities in Wales; as well as detailed discussions with potential MIM project sponsors in the local authorities and colleges.

The engagement culminated in an information day held on 6 November at the Coal Exchange in Cardiff. This event saw 130 representatives attend to hear about the MIM Education Programme and the Welsh Education Partnership (WEP) Strategic Partnering Procurement. Attendees on the day consisted of a large cohort of private sector contractors, funders and advisers, as well as local authority and college representatives. A number of the latter came forward to present their MIM projects. The day demonstrated the significant interest in the MIM Education procurement and the confidence that potential private partners have in the deliverability of the Programme.

As well as intensive engagement with stakeholders, the MIM Education Team has compiled a comprehensive set of documentation, including the template MIM Education Project Agreement, Payment Mechanism, the Strategic Partnering Agreement and the associated Shareholders Agreements. [These documents](#) were uploaded to the Welsh Government website on 30 November to solicit feedback from all interested parties. A second suite of documents was uploaded to the website on 20 December, including the Authority's Technical Requirements and strategy papers on Energy, Community Benefits and Business Information Modelling (BIM).

Further engagement has also taken place with the Assembly itself. Welsh Treasury officials provided technical briefings on the MIM to the Economy, Innovation and Skills (EIS) Committee on 3 October and the Finance Committee on 29 November. These briefings were well received and, where there is demand for further technical briefing, Welsh Treasury and Education officials will work together to ensure that material is provided.

After careful consideration it was recommended that, taking into account the increase to the capital intervention rate, the Welsh Government contribution towards MIM schemes should also be increased. Consequently, on 7 February Local Authorities and FEIs were informed that the intervention rate on MIM schemes was increased from 75% to 81% representing a broadly comparable uplift to that applied to the capital side of the Programme. Local Authorities and FEIs were also asked to reconsider whether they would like to swap any of their capital schemes for delivery via the MIM route.

## **2. Other areas where the Committee sought further assurance**

Your letter of 24<sup>th</sup> July sought further assurance in six areas - collaborative ethos, demand for places, energy performance, technical support, community benefits and active travel.

***Collaborative ethos - where there was a discrepancy between the WLGA evidence and that of Welsh Government. Would want to see that the joint working and collective ownership continues into Band B.***

In August, I highlighted that the collaborative arrangement between Welsh Government and the WLGA and local authorities was a successful example of genuine co-construction and central-local relations.

The programme continues to be founded upon collaboration between the Welsh Government, Welsh Local Government Association, Colleges Wales and Diocesan Directors, whom are all represented on the Programme Board. A good recent example of this is the Minister's decision in November to increase the Welsh Government's intervention rates for the capital element of the Programme, which was taken following extensive discussions with our business partners and on advice from the Programme Board.

***Demand for places - we were not convinced on the responses we received around the flexibility of the programme to adapt to changes in the birth rate. In particular, we wanted to know whether the programme was factoring in technical solutions to the fabric of schools that mean they can build in flexibility – for example to open and close or re-purpose classrooms - as the demographics change.***

In August, I advised that local authorities adjust school configuration and employ various design techniques as demographics change. Local authorities continue to employ a variety of technical solutions to build flexibility to manage changes in the demand for school places. A good recent example of this is two Band B Welsh-medium schools shortly to be built in Swansea. These are being 'future-proofed' in terms of their communal areas so that the schools can be easily expanded to a higher intake capacity by adding additional classrooms should there be an increase in demand for places over time.

***Energy performance - we were not convinced that the Welsh Government understood the concerns on energy efficiency savings. Your evidence said you were good at specifying the savings up front but those specifications are not leading to the cost savings expected. We think there is a wider issue of the realism of the potential savings from energy efficiency that needs to be factored into plans up front. We would like to see the Welsh Government take a lead role in challenging the industry if industry specifications are not actually delivering the sorts of financial and environmental benefits you would like to see. The WLGA has suggested that MIM contracts would look to transfer risks associated with the energy efficiency of the design of buildings to the private sector and we would also welcome clarification of how the Welsh Government expects that risk transfer to work.***

In August, I advised that we had commissioned a report giving details of how to avoid the performance gap, with resulting Best Practice Guidance being shared with delivery partners and stakeholders. The issue of energy efficiency remains a serious consideration within the Programme. However, whilst we recognise there are concerns that savings for new schools have been below what was expected, we do not yet have sufficient evidence to be able to assess whether this is the case.

Now that the post-occupancy evaluation survey has been rolled out to our delivery partners, we will expect it to be completed in respect of all school projects funded by the Programme. Baseline data will be collected before the start of the project, with data on the completed project collected in years 1, 2 and 5 following project completion.

The Building operation section of the post-occupancy evaluation survey collects information on utility bills, energy consumption, performance and utilisation of renewable technologies and water. The section collects information on the school's:

- Display Energy Certificate;
- Electricity use (both mains and renewable technologies); and
- Heat use (both mains gas and renewable technologies).

Whilst a funding requirement of an EPC 'A' rating is to be achieved by projects, the survey should enable local authorities and the Welsh Government to identify any gap in performance once the school is open. By monitoring Display Energy Certificates it will be possible to see design intent and actual energy consumption and how this may improve or deteriorate over time.

***Technical support - we had evidence from the Design Commission Wales whose services are clearly not being used as they could be to support the delivery of the Programme. We would like the Welsh Government to rethink how it can make best use of the Design Commission to support the successful delivery of Band B alongside its consideration of the wider technical support that is needed. While you explained that the support that has been provided to date by Constructing Excellence Wales was for three discrete projects, members remain concerned about whether sufficient technical support will be available to support delivery of the Programme in the next wave. It is for the Welsh Government to decide who provides that support. However, we would welcome an update on your plans in the context of recommendation 10 in the Auditor General's report and taking account of the lessons learned from the impact of the technical support provided during Band A and any capacity/capability constraints in the organisations responsible for project delivery.***

When I last wrote to you, I advised that we used the Design Commission to provide input at the beginning of Band A and we intended to do the same for Band B. Since August, officials have met with the Design Commission for Wales twice to discuss its role in supporting the Programme. This conversation will continue with a focus initially on encouraging our delivery partners to engage with the Commission at an earlier stage in the design process than is currently the case.

A key benefit emerging from Band A of the Programme has been the considerable body of delivery expertise and knowledge built up within our delivery partners. A recent workshop, held with our delivery partners to review lessons learned from Band A with a view to gearing up for Band B, has confirmed that most are confident that they have the skills and knowledge to deliver Band B effectively. However, we will continue to commission, draw upon and provide external expertise and support when it is required.

In terms of MIM, some of our delivery partners do have experience of delivering Public Private Partnership schemes. However, we recognise that this is not universally the case and that a multi-disciplinary team will be required at the centre in order to provide advice and support. Resource for this has been agreed with the Minister and recruitment into key roles is under way. The make-up and capacity of this function will be reviewed regularly to ensure that it remains effective.

***Community Benefits - we welcome the commitment to community benefits. It is clear that there are complexities involved in making school facilities more available to the communities. We recognise that ultimately it is the governing body's responsibility. However, the Welsh Government and councils have significant leverage through the funding provided through the programme. We would like to be assured that the Welsh Government is using that leverage to full effect to ensure that wherever possible and feasible, schools funded from the programme make their facilities open to community use.***

In August, I advised that we had established a task and finish group to look at ways to overcome or remove barriers; to encourage the wider community use of educational assets and disseminate best practice and funding. As noted earlier in this paper, we are to restate the strategic aims of the programme so that this second wave of investment seeks to provide a new generation of schools and colleges that are learning centres for their wider communities. We also want the Programme to look to provide more hubs for community services, offering not just education, but a wider array of community activities through improved planning and join-up of infrastructure budgets.

In October, the Welsh Government Budget Statement included an additional £15 million of capital support to fund innovative projects that will help to demonstrate what is possible in terms schools becoming hubs for community services. An invitation to bid for this money was made to local authorities on 30 November.

We intend that the successful projects will be taken forward in the coming financial year. This will be followed up with guidance and case studies to encourage the spread of good practice and overcoming barriers to community use of education facilities.

***Active travel – we are not convinced that the Active Travel (Wales) Act 2013 is being given sufficient consideration. Your recent letter appears to acknowledge a need for greater scrutiny and challenge in this respect and we would ask for clarification of what this will mean in practice. If the Welsh Government can highlight specific examples where Active Travel opportunities***

***have been maximised then we would be interested to learn of them. Similarly, examples of where poor consideration of active travel access in business cases has been addressed.***

In August, I advised that we had updated our business case guidance to incorporate key messages with respect to active travel. The enhanced scrutiny of business cases in terms of compliance with the Active Travel Act is working well. Over the last few months, there have been a number of good examples where active travel requirements were not sufficiently detailed in business cases for investment and local authorities were pressed for further information on how they will enable pupils to travel actively to school; what walking, cycling and scooter routes are available; and on the provision of cycle facilities, such as storage. We are aware of the Committee's concerns in this area and will continue to keep this under review during the lifetime of the Programme.



### 3. Progress against the Auditor General's recommendations

The evidence I provided to Committee on 8 June 2018 included an update on the actions undertaken in response to the specific recommendations in the Auditor General's Report. At that time three of the ten recommendations had been completed. The information below provides an update on the remaining recommendations in the Auditor General's Report.

#### **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.***

#### **Complete**

Governance arrangements for Band B have been revised and refreshed alongside our delivery partners. The membership and Terms of Reference for the Programme Board and a revised Programme Investment Panel have been agreed. Both bodies have met. Membership of the Business Case Scrutiny Group has also been refreshed to include CADW and others.

The balance of funding for capital and revenue funded schemes has recently changed and will be kept under review to ensure that it remains balanced in terms of affordability across all partners.

#### **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:***

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

#### **A, B and D complete. C under review**

Revised guidance on the methodology used during our sample survey was issued to local authorities and colleges in 2017. The guidance and methodology became

mandatory in 2018/19, which will be the first year that all of our partners use the revised approach for their condition survey. Once all data has been received and analysed further action will be considered, including whether a further sample survey is necessary to test the data.

To ensure greater transparency in reporting, we continually update the 21<sup>st</sup> Century Schools website to report programme progress in respect of school estate improvement and wider programme benefits. At the end of Band A, we will publish on our website details of completed projects to show investment throughout Wales. We also plan to expand our project portfolio online to include photographs of recently completed projects.

### **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.***

### **Complete**

A Best Practice Guide has been prepared and was presented to business partners at three seminar events held in May 2017. The Guide was prepared by Constructing Excellence in Wales in consultation with the construction industry. Our Business Case Guidance has been amended to take into account these recent developments and was published in May 2018.

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. Our economists have run three Economic Case Training events for our delivery partners, which improved their understanding of the requirements for business cases to clearly demonstrate value for money.

A post-occupancy review has been developed that captures a range of information, including the anticipated energy use in a new or refurbished building, and the actual use upon occupation to ensure that savings are being made in line with expectations. Its use will ensure that baseline data is collected before the start of a project, with follow up data on the completed project collected in years 1, 2 and 5 following completion.

### **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.***

### **Complete**

Benchmark cost and size standards for building works and for IT and fixtures, fittings and equipment (FFE) have been signed off by the Programme Board and Investment Panel. These are being applied and tested during the business case scrutiny process for Band B.

Building Information Modelling will be applied to the Programme once a Welsh Government-wide approach has been agreed and signed off. We do not currently have a date for when that might be. Progress on this will be monitored by the Programme Team and reported to the Programme Board.

### **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.***

### **Complete**

In addition to the update provided in June on 8a and 8c, procurement frameworks are revised and retendered on a regular basis to ensure they are in line with good practice. Each Framework has a 'lead' local authority responsible for managing this

process along with communication with the industry. Framework members meet regularly to discuss issues and share good practice.

Procurement processes and value for money are tested by Value Wales colleagues at each stage of the business case scrutiny process. 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.

Market day events and conferences have been held with the construction industry and others to prepare them for Band B and MIM. Most recently, an information day held on 6th November saw 130 representatives attend to hear about the MIM Education Programme. Attendees included private sector contractors, funders and advisers, as well as local authority and college representatives.

Engagement with stakeholders, including local authorities, FEIs and the construction industry, will be ongoing throughout the delivery of Band B.

### **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.***

### **Complete**

Programme benefits and targets will be regularly reviewed by the Programme Board and Programme Investment Panel alongside policy colleagues, such as Value Wales. Three Community Benefits seminars were held with partners in summer 2018. Good practice case-studies have been commissioned in order to share these on the website.

The Programme will be shortly re-launched with partners with a particular emphasis on wider community use. The Programme will be likely renamed as the 21<sup>st</sup> Century Schools and Colleges Programme with the strapline 'Community Spaces for Learning'.

Community benefits targets and community use of assets are tested by policy colleagues during the business case scrutiny process. Community benefit targets

are included in our grant award letters. Funding retentions are not released if targets are not met. In addition we are working with other portfolio areas to build wider community use of schools assets into the terms of funding for projects.

### **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.***

### **Complete**

Resource for internal technical expertise has been agreed by the Minister and recruitment of an expanded MIM Programme Team is under way. The team will provide direct support to delivery partners. The team will also work with other potential partners, such as the Design Commission for Wales, to ensure that expert advice and support are available when required.

The capacity and make up of the team will be reviewed regularly by the Programme Board and Programme Investment Panel to ensure that it is meeting the needs of all those involved in the Programme.

## Annex A

Band A progress by Local Authority – February 2019	Number of Projects	Full Business Case (FBC) Received	Business Justification Case (BJC) Received	FBC/BJC Approved	Under Construction	Complete
Anglesey	4	3		3	1	2
Blaenau Gwent	4	2	2	4	1	3
Bridgend	6	4	2	6		6
Caerphilly	6	3	2	6	1	3
Cardiff	24	10	14	24	1	23
Carmarthenshire	15	7	7	13	2	9
Ceredigion	4	2	2	4	2	2
Conwy	4	1	3	4	1	3
Denbighshire	8	5	3	8	1	5
Flintshire	4	4		4	1	3
Gwynedd	7	5	2	7	1	6
Merthyr Tydfil	2	2		2		1
Monmouthshire	3	2	1	3		3
Neath Port Talbot	6	6		6		6
Newport	6	2	4	6	2	4
Pembrokeshire	10	7	2	9	2	8
Powys	7	4	2	6	3	2
RCT	11	11		11	1	10
Swansea	9	5	4	9	1	7
Torfaen	9	6	3	9	2	7
Vale of Glamorgan	8	1	7	8		8
Wrexham	9	3	6	9	2	6
Further Education	9	5	4	9	3	6
	<b>175</b>	<b>100</b>	<b>70</b>	<b>170</b>	<b>27</b>	<b>134</b>