

Local government

National report

 **audit**  
commission

A chalkboard with a drawing of a school building. The drawing is made with white chalk on a dark blue/black surface. The building has a gabled roof and several windows. A piece of white chalk lies on the board in the foreground. The board is framed by a wooden border.

# Improving school buildings

Asset management planning in LEAs and schools

**The Audit Commission** is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high-quality local and national services for the public. Our work covers local government, housing, health and criminal justice services.

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For further information on the work of the Commission please contact:

Sir Andrew Foster, Audit Commission, 1 Vincent Square, London SW1P 2PN Tel: 020 7828 1212

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## Summary

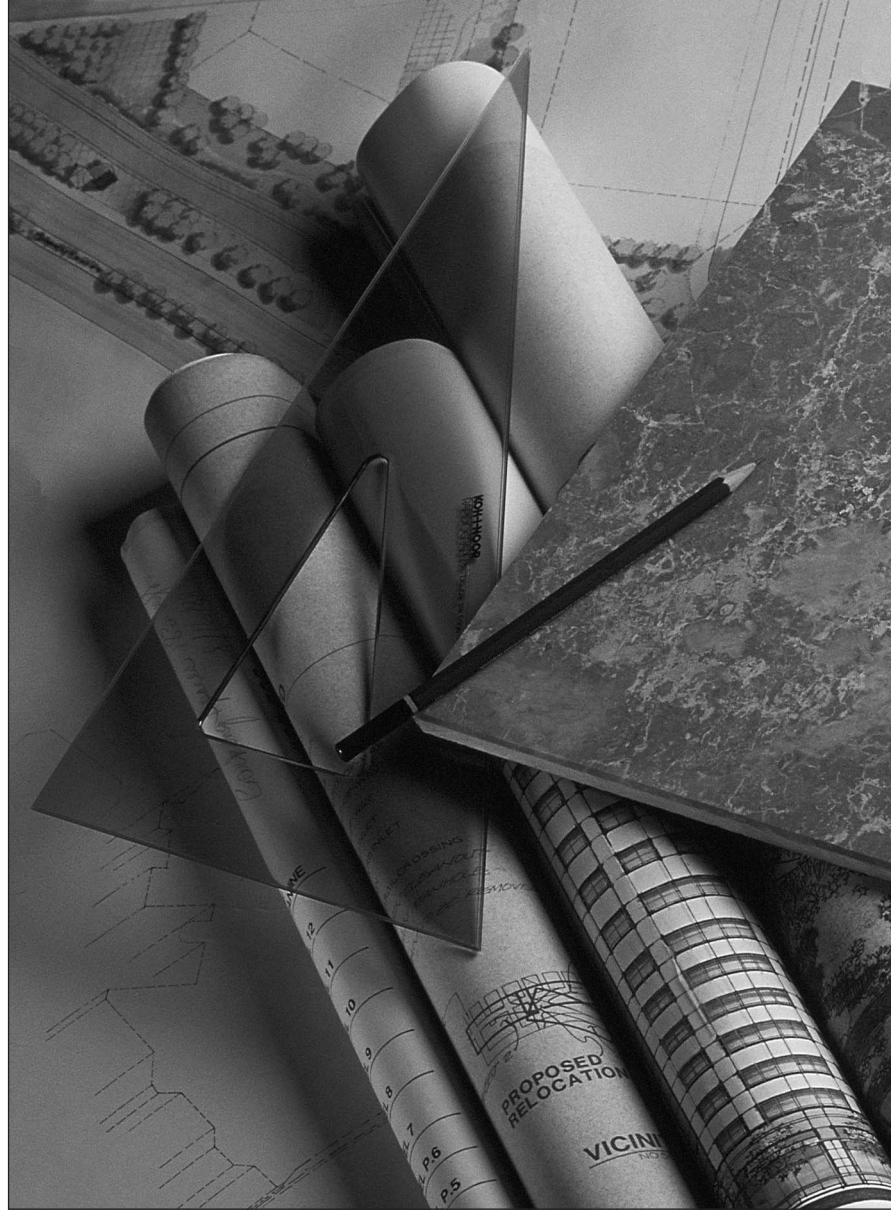
- 1 Investment in preventive maintenance and improvement of school buildings had been neglected in many local authorities throughout the 1980s and most of the 1990s. Schools began to pay the price for this situation, as building elements came to the end of their life cycle and problems with leaking roofs, failing heating systems, deteriorating temporary buildings and external woodwork accumulated. In some schools these problems reached crisis level during the 1990s.
- 2 Since 1997 the Government has substantially increased capital investment in new and refurbished school buildings. Pupils, parents and staff are benefiting from the improved quality of many school buildings. The framework for asset management planning is also improving the information that is recorded about school buildings and, hence, the ability of local education authorities (LEAs) and schools to plan and use the increased investment wisely.
- 3 There are systemic problems with the capital funding arrangements for schools, resulting in capital resources not being allocated to areas of greatest need (Chapter 1):
  - substantial investment is still required to improve buildings in many schools;
  - too much of the capital resources are distributed according to the number of pupils, rather than more critical factors, such as the age and condition of school buildings;
  - as a result, not enough of the resources are targeted to immediately fund the most urgent improvement needs;
  - a vision needs to be developed to clarify the standards that school buildings must meet;
  - the range of funding streams for school buildings and grounds should be made more straightforward to co-ordinate; and
  - value for money in building contracts must be achieved.
- 4 LEAs need to support schools in constructive and innovative ways so that resources can be managed and deployed more effectively (Chapter 2):
  - there are weaknesses in the quality of local authority property services, with nearly 50 per cent of these being judged as unsatisfactory or poor;
  - there is a need to move from compliance with the asset management planning framework to a more strategic role, linking capital investment to school improvement priorities;
  - the scale of investment over recent years has placed pressure on the capacity of the building industry to deliver on school projects, thereby requiring LEAs to improve the quality of their procurement of building works; and

- LEAs need to work with schools to help them to become better informed and more confident in handling property issues.
- 5 Schools also now have a substantial share of the responsibility for the condition of their school buildings through the capital resources that they control (Chapter 3). The increased property responsibility is one of the reasons for the growth in school revenue balances and there are variations in the amount of their delegated resources that schools are spending on maintaining their buildings. Schools need to:
- link their plans for use of the building resources to their school improvement priorities;
  - ensure that they have access to an adequate level of property skills; and
  - spend sufficient of their delegated budgets on maintenance of buildings.
- 6 In order to ensure that the resources are used well, there should be a more systematic and focused monitoring of how schools are spending their building resources.

# Preface

- 7 This report is one in a series of education *Learning from Audit, Inspection and Research* reports from the Audit Commission. The series is based on the lessons emerging from the inspection of English LEAs jointly by the Audit Commission and the Office for Standards in Education (Ofsted). The Welsh Assembly has not had a similar emphasis on asset management planning and the issue has not yet been examined in Welsh LEA inspections. This report is based on evidence from the first cycle of inspection of all LEAs and on inspections carried out under the second cycle of inspection to autumn 2002. The report also draws on information from fieldwork in nine authorities and the results of surveys carried out in over 10,000 schools as part of LEA inspections.
- 8 The topic of asset management planning has been chosen because the quality of school buildings is important for supporting effective teaching and learning. For many years there has been a lack of systematic investment in the maintenance of school buildings and large backlogs have built up. Now that substantially increased resources are being invested, it is important that schools and LEAs use these resources wisely. LEA inspections examine both asset management planning and the quality of property services.
- 9 This report aims to review the impact of the changes that have taken place over the last five years and to stimulate debate about policy challenges for the future. It is targeted primarily at policymakers and practitioners in local and central government. In addition, there are issues for headteachers and administrative staff in schools who have increased responsibility for the condition of school buildings.
- 10 The primary focus of the report is on the impact of education asset management planning on the condition and suitability of school buildings and on the quality of local authority property services. A range of important related issues, such as sustainability in school building construction, school place planning and the new capital finance regime are not considered in any detail in the report. Private Finance Initiative (PFI) schemes are an increasing proportion of the capital investment in school buildings. The impact of these schemes is considered in the recent Audit Commission report *PFI in Schools (Ref. 1)*.
- 11 The project manager of this study was Dave Barlow, under the direction of David Curtis and Sarah Phillips. Help with research and analysis was provided by Anne Feely. Project management and research support was provided by Manjit Benning and data analysis support by Tim Aldridge. Initial fieldwork was carried out by Jan Hunter and Angela Smith.

# 1



## The policy context

The increased resources are making a difference, but the Government distributes too much of the capital resources according to the number of pupils, rather than more critical factors, such as the age and condition of school buildings. As a result, not enough of the resources are targeted to immediately fund the most urgent improvement needs.

## The historic context

- 12 During the 1980s and early 1990s, the level of investment from both government and most local authorities was too low to keep school buildings in good repair. Most of the capital available was directed at meeting basic need for new school places or for supporting school reorganisations. Some LEAs chose to maximise capital receipts and other sources of funding to continue to invest in building maintenance. Many LEAs, however, cut central premises budgets and, within the funds delegated to schools, repair and maintenance funding was often diverted to maintain teaching resources. Schools began to pay the price for this situation, as problems with leaking roofs, failing heating systems, deteriorating temporary buildings and external woodwork accumulated. In some schools these problems rose to crisis level during the 1990s. A number of reports highlighted these issues, warning about the ‘maintenance time bomb’ (**Ref. 2**) and the serious deterioration in the school building stock.
- 13 There were also serious problems with the organisation of property responsibilities in many, but not all, LEAs. Most authorities did not have effective property management strategies in place. Regular surveys of the condition of school buildings were not carried out. Investment decisions were not clear and transparent, nor were they based on sound risk assessments and option appraisals. Many local authority property services were fragmented and had low priority for resources. Voluntary Aided schools had a separate funding regime that focused on external repairs, and grant-maintained schools received separate funding allocations. This led to unfairness in the funding of individual schools.

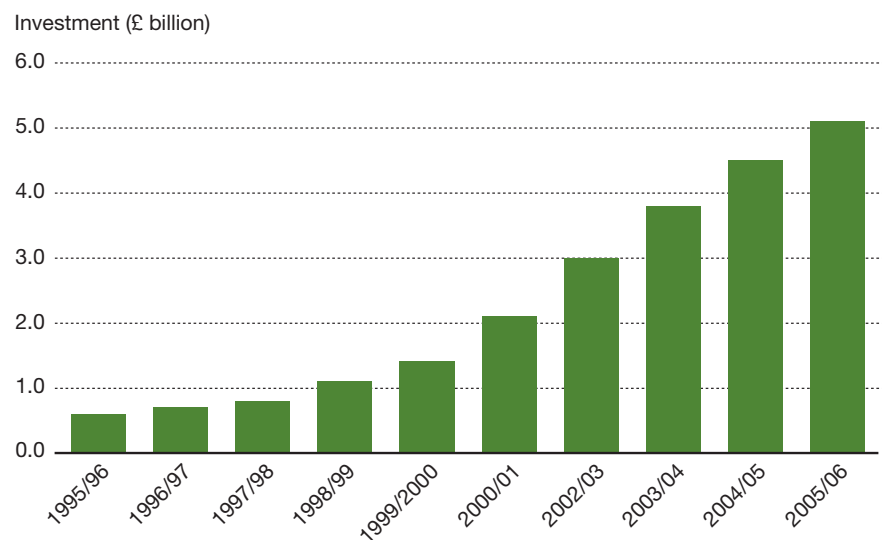
## Changes over the last five years

- 14 Over the last five years, the resources for repair and improvement of school buildings have increased substantially and a more rigorous framework has been introduced for property management. The changes in capital investment from government between 1995/96 and 2003/04 are shown in **Exhibit 1**. This includes the capital for a range of national initiatives and the investment through PFI.
- 15 The Department for Education and Skills (DfES) established the asset management planning framework to improve the effectiveness of property management by LEAs (Appendix 1). The framework has involved:
- Local Policy Statements and Statements of Priorities prepared by each LEA;
  - improved information collected by LEAs, initially on building condition, then on suitability, and finally on net available capacity (sufficiency) across all its schools; and
  - DfES assessment of LEA performance on asset management planning.
- 16 The most recent guidance from the DfES (**Ref. 3**) on future developments is targeted at moving LEAs on from putting in place the core assessments of condition, suitability and net capacity to using the information to produce a strategic plan.

## Exhibit 1

### Central government investment in school buildings

The resources per year have increased from £0.6 billion in 1995/96 to a projected £5.1 billion in 2005/06.



Source: Department for Education and Skills (DfES)

## How these changes have helped

- 17 The DfES consulted widely on the introduction and development of asset management planning. It produced guidance materials that were used by authorities, promoted good practice networks and continues to organise seminars and training events. These are well regarded by staff in authorities. There has been a steady drive to improve the quality of asset management data through the use of electronic management information systems. LEA staff have also benefited from the exchange of information and best practice in the networks that they have developed. Much of the guidance was not ready at the start of the process. It needed to be produced as the framework developed. This has put a premium on needing to learn from experience as the process unfolded.

### Developing the Local Policy Statement

- 18 The requirement to produce annual Local Policy Statements and Statements of Priorities in consultation with schools and diocesan authorities has been a factor in improving the transparency of resource allocation by LEAs. One key element of the Local Policy Statement is a declaration on how the authority will balance its priorities with those of schools and diocesan authorities. Most authorities now produce Local Policy Statements that address DfES requirements.

### Improved information about the condition of school buildings

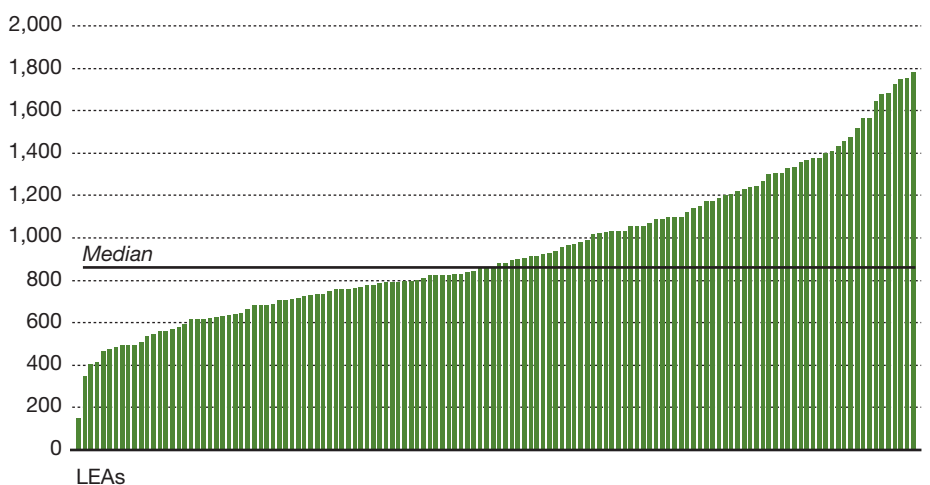
- 19 Information on school building condition has improved, but data has often proved to be unreliable. Surveys about the condition of all schools have provided LEAs, schools and the DfES with information on the comparative backlog in different authorities. In 2000, the DfES estimated that nearly £7 billion of investment was needed over five years in order to address condition priorities in schools in England. Investment needs vary substantially across authorities **[Exhibit 2]**.
- 20 This variation reflects the historic legacy of different building stock and insufficient past investment in maintaining schools in many authorities. The average backlog in metropolitan authorities (£1,107 per pupil) was significantly greater than for counties (£774 per pupil). Additionally, subsequent validation checks by DfES contractors have identified inconsistencies and inaccuracies with some authorities' data. There have been initial problems with some of the software used for data storage. As a result the estimated £7 billion is only an initial benchmark. The quality of information will improve as the programme of regular surveys by LEAs continues. There is uncertainty about whether the total condition backlog has decreased as a result of recent investment or whether it will increase as a result of more rigorous identification of building defects in recent surveys.

#### Exhibit 2

### Investment in school buildings needed over a five year period

The level of investment needed varies by a factor of four in different LEAs.

Investment needed (£ per pupil)



Source: LEA submissions to the DfES, 2000

## The suitability of buildings

- 21 More information is also now available on the suitability of school buildings for their purpose, but there is inconsistency in the information provided by different authorities. Most LEAs are unable to benchmark suitability needs across their schools on a consistent basis, which is clear and transparent to all schools. This creates difficulties for agreeing the Statement of Priorities. Little information is available about the resources required to tackle suitability issues and, as a result, it is not possible to accurately identify the resources nationally that are needed to address suitability issues.
- 22 Assessing the suitability of school buildings is not as straightforward as assessing their condition. The DfES guidance on suitability (**Ref. 4**) advised that assessments should be based on the impact of the accommodation on the delivery of the national curriculum. These assessments are affected by how schools organise the curriculum and the timetable. New expectations and requirements have developed since the original DfES guidance. Increased use of Information and Communications Technology (ICT) places additional demands on buildings. The Disability Discrimination Act 1995 (**Ref. 5**) created new accessibility requirements for schools.
- 23 The guidance left authorities with widely differing approaches to carrying out assessments. Many authorities did not obtain suitability information from all schools and school participation was on a voluntary basis in order to reduce the administrative burden on them. Some schools were not willing to undertake the assessments, particularly as there was no indication at the time of the likelihood of resources being available to address any issues that were identified. While some authorities moderated the schools' own assessments, others used information provided by schools without checking that it was consistent.

## Sufficiency: The capacity of schools

- 24 The third element of school building information is assessment of whether the net capacity within school buildings is appropriate for school needs. Although the DfES acknowledged that calculating school capacity using current indicators no longer gave a useful measure of a school's actual usable space, developing the sufficiency assessment took much longer than originally planned (**Ref. 6**). This impacted on the ability of LEAs to see the complete picture and to plan investment.
- 25 Sufficiency calculations will be applied in early 2003 for admissions purposes. They are likely to have the most impact in assessing the capital need for new school places. They will also form the basis for future assessments of surplus capacity. It is too soon for information to be available on how recalculations will affect overall demand for growth or pressure to reduce capacity. Adjustments to capacity also have potential implications for admissions arrangements.

## Challenges for the future

26 The drive from the Government to improve school buildings has been in progress now for five years. Evidence from inspections presented in the next chapter reveals that the substantially increased resources and the asset management planning framework are making a positive impact. There are, however, many challenges for the future:

- Most LEAs and central government do not know with sufficient accuracy how much investment is still required in school buildings to provide a good learning environment. Information on the condition of buildings is improving as LEAs gradually re-survey schools. The level of investment required to improve suitability of buildings is also still unknown.
- Large variations remain in the condition of individual schools and in the average condition in different LEA areas. Formula allocations of condition funding address this in part, but an increasing proportion of resources are allocated directly to schools through Devolved Formula Capital. Too much of the capital resources are distributed according to the number of pupils, rather than more critical factors, such as the age and condition of school buildings. As a result, not enough of the most urgent need is being adequately resourced to immediately fund improvements.
- A vision about the required minimum and the desirable standard of buildings for the future is lacking. The requirements of the curriculum are changing and different assumptions on building requirements can have significant impact on the cost of buildings. There have been pressures to minimise initial costs, but the DfES now realises that there is a danger that this can be at the expense of the long-term educational viability of buildings. Lifelong learning and community initiatives have implications for school design and space requirements. Examination of these issues by the DfES is underway, but so far this has been tentative.
- There are tensions between national and local prescription of funding priorities. Increasingly, school building information is available to help channel resources through LEA asset management plans. Mechanisms have been devised to allocate an increasing amount of capital on a formulaic basis. At the same time, substantial capital funding is still being allocated through a range of nationally determined priorities. Future programmes could include greater elements of centrally prescribed programmes.
- Funding streams are fragmented and LEAs and schools have to make considerable efforts to bring them together. Funding for Voluntary Aided schools and Academies and sixth-form funding through the Learning and Skills Council are separate. Integration of resources, for instance through Sport England<sup>I</sup>, has proved difficult. Other resources come through a variety of programmes, such as Surestart<sup>II</sup> or regeneration, or community initiatives, with their own separate criteria and priorities.
- Value-for-money issues in the procurement of building work on schools need further examination. The building industry in many parts of the country does not have the capacity to respond to schools' needs. This is impacting on the cost of

I Sport England's primary role is to develop and maintain the infrastructure of sport in England. It is accountable to Parliament through the Secretary of State for Culture, Media and Sport. It distributes National Lottery funds earmarked for the development of sport in England.

II Surestart is the Government's programme to support children, parents and communities through the integration of early education, childcare and health and family support services.

building projects. Contracts let by individual schools through Devolved Formula Capital and school requirements to programme work during holidays increase building costs.

## Assessment of asset management plans

- 27 The government depends on local authorities to manage asset management planning at a local level. Local authority performance is assessed through a variety of different mechanisms:
- the DfES assesses LEA asset management plans using both desk-top and on-site methods;
  - the Office of the Deputy Prime Minister (ODPM) assesses local authority corporate asset management plans. There are financial rewards for successful authorities; and
  - Ofsted and the Audit Commission inspect LEAs using published criteria to judge their effectiveness in carrying out asset management planning and providing or procuring property services.
- 28 To date, assessment of education asset management plans, both by DfES assessments and LEA inspections, has been based largely on their compliance with the requirements of the asset management planning framework. While this was appropriate in the early stages of developing the framework, assessment now needs to move on to focus more on the strategic role of LEAs and on the outcomes from the resources invested. It is an appropriate moment to re-examine this as part of the review of regulation following the comprehensive performance assessment of all local authorities during 2002 and the Government programme to rationalise the plans that LEAs need to submit.
- 29 The Appraisal Guidance for 2003/04 (**Ref. 7**) is moving DfES assessments in this more strategic direction. The LEA inspection criteria for asset management planning and property services is being updated. Issues that will be examined include:
- links between asset management plans and the school improvement agenda;
  - measuring the impact of the investment on improvements in schools, and the broader impact of better buildings and facilities on pupils and staff. Establishing these links is not, however, straightforward;
  - the strategic links between asset management plans and other LEA plans, and with local authority corporate capital planning; and
  - school and local authority spend against capital allocations. Currently, the DfES review of LEA spend of allocations is based on outdated information.

- 30 In drawing up these criteria, links with the DfES and local authorities will be important. This should enable the information which is needed by local authorities for their self-assessment to link more closely to DfES assessment and LEA inspection requirements.
- 31 Important balances need to be reached in re-examining the extent of regulation. The asset management planning framework is based on good working practices in property management, which the Audit Commission and others have advocated for many years. These practices need to continue to underpin local authority programmes for the management of capital investment in schools. Where LEAs are still not performing asset management planning satisfactorily, even where they are good at other functions, continued monitoring and support will be needed.
- 32 In contrast, there is only limited monitoring of the way that schools carry out their property responsibilities. This issue is examined in more detail in Chapter 3. The next chapter looks at the effectiveness of LEAs in managing their responsibilities.

# 2



## The effectiveness of LEA implementation

There are weaknesses in the quality of local authority property services, with nearly one-half of these being judged as unsatisfactory or poor. The scale of investment over recent years has placed pressure on the capacity of the building industry to deliver on school projects, thereby requiring LEAs to improve the quality of their procurement of building works. LEAs need to work with schools to help them to become better informed and more confident in handling property issues.

## Defining the education property function

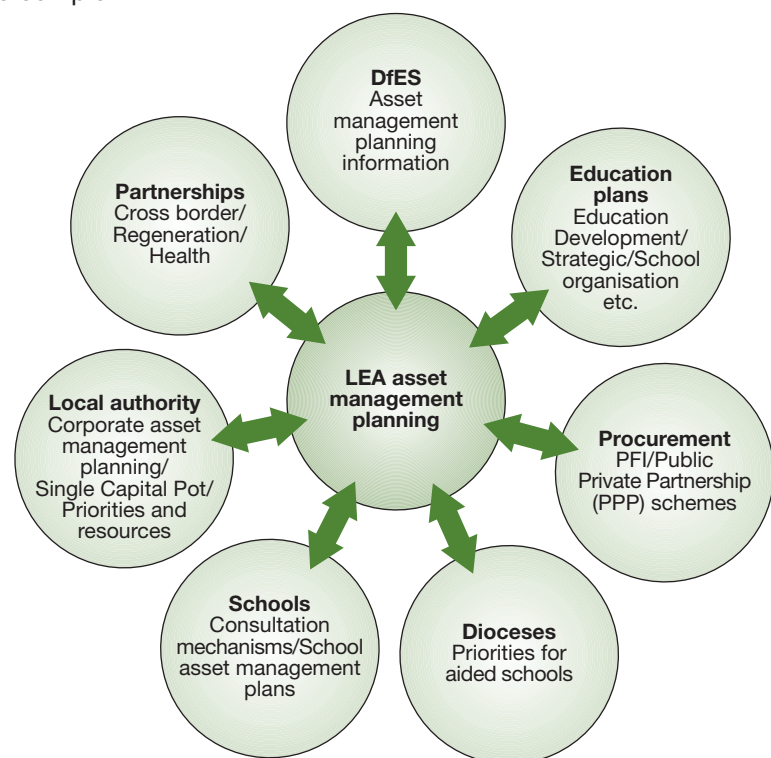
- 33 LEAs have a responsibility to ensure, in partnership with diocesan authorities and promoters of new schools, that education buildings are suited for their education purpose, and that they are well maintained. The greater emphasis on property management and the growth in resources since 1997 have substantially increased the extent and complexity of their workload and responsibilities.
- 34 The DfES stresses that asset management planning has a key role in supporting school improvement (**Ref. 7**). In order to carry out their strategic role effectively and to target resources where they will have maximum educational impact, LEAs must manage a range of interactions [**Exhibit 3**]. Investment priorities need to be linked to regeneration and to other community initiatives.
- 35 To achieve such links, LEAs need to invest in skilled staff resources. Many ran down their property services when investment was low and some have still not invested sufficiently in the necessary staff. The requirement to delegate higher proportions of education resources to schools has put pressure on the extent to which LEAs can centrally fund property costs. In addition to the central resources, a range of other property costs will be incurred, including:
- technical advice services bought by schools, either from the LEA or from other sources;
  - design and project management fees for building contracts; and
  - costs incurred directly by schools in carrying out their building responsibilities.
- 36 The examination of the education property role is divided into three elements in this report:
- **strategic planning**, linking to overall local authority and education priorities;
  - a closely related **resource management** responsibility, planning investment, maximising resources, allocating the resources according to school need and ensuring that they are spent;<sup>1</sup> and
  - ensuring that there is **operational property support** to maintain property information, manage capital projects and provide advice to schools. The inspection judgement on property services examines effectiveness in this area.

<sup>1</sup> In LEA inspection, strategic planning and resource management are examined under the judgement on asset management planning.

### Exhibit 3

#### The range of interactions that LEA property staff must manage

The interactions needed to be successful at asset management planning are complex.



Source: Audit Commission

### Strategic planning

- 37 A review of LEA inspections carried out in 2001/02 identified that nearly 75 per cent of LEAs were judged to be carrying out their asset management planning satisfactorily. This reflects the impact of clearer expectations set out by the DfES in the asset management planning framework. The improved quality of property information also increases the ability to plan effectively.
- 38 Only two out of the nineteen authorities inspected were judged to be good or excellent at asset management planning. This reflects the fact that authorities need to go beyond compliance with the framework and develop the strategic links between capital investment and their school improvement priorities. Capital investment priorities are not currently a strong element of most Education Development Plans. There is, however, evidence that more authorities are improving some of these strategic links [Box A, overleaf]. The move in some authorities to develop Education Strategic Plans, rather than narrowly focused Education Development Plans, should encourage the development of these wider links.

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## Box A

### Stronger links to other plans

Some inspection reports have identified improved strategic links.

*There are effective links to other major plans including the [Early Years Development and Childcare Plan] EYDCP, school organisation, behaviour support, special education plans and the [Educational Development Plan] EDP.*

*The [Asset Management Plan] AMP is clear and rigorous. There are explicit links between the AMP, other plans, national initiatives, and to the quality of teaching.*

*The section has clear aims linked to supporting school improvement and to the programme of area reviews of school places and to meeting statutory duties including health and safety.*

*There are close links with school organisation and class-size planning as well as with the EDP.*

*The plan demonstrates good links to other plans, a clear focus on standards and has been appropriately revised for 2002-06 to focus on bringing schools more into the process.*

**Source:** Extracts from five LEA inspection reports

## Transparency and the involvement of schools in the process

- 39 The transparency of the priority-setting process and the involvement of schools has improved in most, but not all, LEAs. In early LEA inspections, prior to 2000, schools regularly identified concerns to inspectors about the lack of transparency and involvement of schools in the priority-setting processes. Schools frequently felt that investment decisions by LEAs were not based on objective criteria.
- 40 The asset management planning process is improving the reliability of information about the condition of schools and consultation processes have to be explained in the Local Policy Statement. In better authorities, formal consultation groups have been set-up, which include school representatives. These groups either take investment decisions or establish the principles by which such decisions are taken. This has helped headteachers, governors and members to feel more involved in a process that has become less prone to lobbying and more transparent. The improved working relationship with schools is identified in many inspection reports **[Box B]**.

## Box B

### Improved consultation with schools

The asset management planning process has led to better liaison with schools in many authorities.

*An advisory group of headteachers has been influential in supporting greater transparency and provides a good model of the partnership working which the LEA is trying to foster.*

*There is transparent prioritisation of capital projects which are taken into account in the capital budget-setting process. A group of headteachers usefully assists the LEA in prioritising projects. Schools rated the quality of asset management planning as the best of all LEAs surveyed so far. Evidence from school visits shows that schools are using the information in the AMP well to plan their own maintenance programme.*

*The local policy statement, together with the working group involving heads ensures that there is good co-ordination and transparency especially over prioritisation.*

*Headteachers paint a refreshingly positive picture of the excellent work done by the LEA on property matters; they are right to do so... The level of customer focus seen here is the main reason why schools rated this area of operation highest of all LEAs so far inspected.*

*The LEA has worked consistently to some simple but effective principles. These include: a focus on helping schools to achieve what they need to improve performance; imaginative solutions to problems involving regulations and funding; officers from various areas of the council providing consistent advice; involving schools in decisions; reaching shared agreements on priorities and funding mechanisms.*

**Source:** Extracts from five LEA inspection reports

- 41 While there have been considerable improvements in the consultation process, the picture from inspection is still a mixed one [Box C, overleaf]. Schools have, in some LEAs, identified continuing concerns with:
- the accuracy of information about their school buildings;
  - information being presented to them in a format that is not readily understandable and, as a result, difficult to use for planning purposes; and
  - a lack of support to enable them to use the information.

## Box C

### Involvement of schools in planning

Some LEAs still have a long way to go in involving schools.

*Although there are some strengths in the plan as a document, the LEA failed to involve the schools convincingly in its preparation... The main issues are the lack of transparency in the allocation of resources, poor project management, and confusion over roles and responsibilities. Many schools are unsure what funding they are likely to receive in the future or why they received funding in the past. The LEA has failed to engage schools in working with it to deal with either short-term or long-term building maintenance issues. The matter is the more serious because the school building stock is older than average.*

*The LEA has much ground to make up in its performance so far on asset management planning... Almost all schools visited expressed concerns about the inadequate, superficial manner of the LEA's school condition surveys and the lack of consultation. Many of them considered that insufficient guidance and monitoring had accompanied the suitability survey which they had to conduct themselves... The fact that the schools' consultative group did not meet until July 2000 has further increased schools' unease.*

**Source:** Extracts from two LEA inspection reports

## Managing the resources

42 LEAs have a responsibility to use the substantial increase in building resources effectively. The key issues identified from inspections explored in this report are the impact of:

- the increased level of investment and gaps in investment that have been identified in some LEAs;
- processes of resource allocation on the ability to improve the schools with the highest (most urgent) need; and
- schemes to pool revenue maintenance resources to indemnify schools against building risk.

### The scale of investment required

43 The increased resources are making a difference, as illustrated in two authorities by the changes between first and subsequent inspections [Box D]. Planning the investment required is now a key issue for LEAs. Basic information from condition and suitability surveys is in place, although the quality of the information needs to be improved. Local authorities have a reasonably clear idea of their likely level of capital allocations over a three-year period. Authorities are beginning to use the information to plan future investment, but many still have a long way to go. In addition, some still have reduced their contribution to available capital funding, relying mainly on the formula capital allocations from the DfES.

## Box D

### Re-inspections have shown improvements in school buildings

In some authorities, which have been inspected twice, substantial improvements have taken place in school buildings between inspections.

#### An authority inspected in 1998

*...faces substantial problems with the condition of a number of its school buildings. It is not alone in this, but poor conditions in some schools are particularly acute. Visits to schools illustrated leaking flat roofs at the end of their lives, rotting woodwork, poor toilet accommodation and overcrowded facilities. The building conditions have forced closure of parts of schools. There is a risk of further partial closures in the future.*

#### Another authority inspected in 1999

*...the condition of the buildings of many schools continues to be very unsatisfactory. The low level of investment and the lack of preventive maintenance programmes over many years have exacerbated these problems.*

#### When re-visited in 2001

*All priority 1 and 2 work is on track for completion by 2003, and schools are provided with excellent information on priorities, timing, responsibilities and funding streams for this work.*

#### When re-visited in 2001

*Since 1997, the council has attracted substantial extra resources from the New Deal for Schools. As a result, 15 new schools have been built and a further seven have been substantially improved. A private finance initiative scheme has just been agreed and this will involve new buildings and upgrading for a further 18 schools. This investment has substantially improved school buildings and will deal with problems in most of the schools with the worst conditions. The LEA works well with schools in planning investment.*

**Source:** Extracts from LEA inspection reports for two authorities

- 44 Many authorities have identified a shortfall of resources to meet identified needs. Recent inspections have found that the scale of the gap between investment needs and current resources is substantial in some authorities [Box E, overleaf].

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## Box E

### A shortfall of resources to meet needs is identified

Recent inspection reports have shown that many LEAs have identified substantial shortfalls in resources to improve school buildings.

*There is a considerable shortfall in the resources required for investment in the maintenance and improvement of school buildings... Special school buildings are in very poor condition. Levels of replacement of buildings have been very low and until recently the total levels of investment were also low... There is still, however, a large gap between the need for investment and the resources available... Investment in maintenance of school buildings is not helped by schools switching resources delegated for repairs and maintenance to other priorities.*

*There continues to be a significant gap between the backlog of work and the annual budget for repairs and maintenance. The previous report referred to the backlog of building work as 'a major and unenviable aspect of the LEA's inheritance' from the predecessor authority. The report also noted that there was a significant gap between the backlog of work and the annual budget for maintenance and repair; and that most of the money was being spent on urgent, 'reactive' works, rather than planned maintenance that would be more cost effective in the long term... Insufficient money is being spent each year even to maintain the current, unsatisfactory state of many school buildings... In the foreseeable future, the LEA is unlikely to be able to secure the investment needed to make the necessary improvements.*

**Source:** Extracts from two LEA inspection reports

- 45 The DfES has expected LEAs to seek other sources of funding and support in order to be able to address all of their priority needs and it has also encouraged authorities to consider the use of Public Private Partnerships (PPP) and PFI schemes. In order to be attractive to commercial investors, such schemes cover both capital investment and facilities management over a long time scale of at least 25 years. To date, over 50 school PFI projects have been signed and a further 40 are planned. More than £3 billion of PFI credits have been granted since 1997/98 for English authorities, primarily for new build schemes. Around one-quarter of the funds for school buildings are expected to come via this route by 2004/05.
- 46 PFI schemes have enabled authorities to bring in funding to tackle problems on a large scale. However, progressing these schemes does require substantial investment of resources and, longer term, value for money still has to be assessed. The PFI schemes require the commitment of funding from schools over a considerable time period which clearly identifies the resources for the long-term maintenance of the buildings. They produce substantial long-term changes in the way that school buildings are managed and building investment is provided and have implications for the delivery of technical services to schools outside the contracts. The Audit Commission has examined these issues in the recent report, *PFI in Schools* (Ref. 8).

## Transfer of resources and responsibility to schools

- 47 The control that schools have over building resources has increased substantially in the last few years. Transfer of responsibility and revenue funding to schools started with the delegation of a proportion of maintenance funding in some authorities following Local Management of Schools (LMS) in 1988. This was then gradually extended to all LEAs in the mid to late 1990s. Since 2000, schools have gained control of an increasing proportion of capital resources through Devolved Formula Capital. For schools in PFI schemes, funding for continued maintenance will be incorporated within the overall contract.
- 48 In 2003/04, Devolved Formula Capital for schools will total £683 million in England, while condition and modernisation resources allocated through LEAs will total £868 million. In later years, the resources controlled by schools are projected to increase and the resources allocated through LEAs to decrease. Capital allocations through the New Deal for Schools are partly allocated according to building condition as set out in the asset management plan. In contrast, Devolved Formula Capital is not aligned to the vastly different needs of individual schools, other than newly built schools not being given resources for three years. Schools are encouraged to spend their devolved capital according to the LEA's agreed asset management plan priorities, but the urgency of needs varies and so schools that are in better condition have the option of spending on lower priority projects. Overall, this does not represent the most efficient and effective use of the resources available.
- 49 There is a huge variation in the condition of individual schools, both on a national basis and between different schools in the same LEA. The capital available for building work is, therefore, not closely aligned to the needs of individual schools. It would probably be too bureaucratic to establish mechanisms to link Devolved Formula Capital allocations to building condition. The Government needs, therefore, to review the balance of capital funding allocated between Devolved Formula Capital and formula allocations managed by LEAs for condition and modernisation needs. More of the investment should be allocated in line with building need to ensure that a satisfactory standard of buildings exists in all schools.

## Building maintenance pooling schemes

- 50 Delegated revenue repairs funding does not take into account the large variations in building condition of different schools, or their different capacities to manage property issues. Some LEAs have mitigated this by setting up building maintenance pooling schemes for schools for part or all of the delegated repairs and maintenance resources, [**Case study 1, overleaf**]. These were mainly set up before the devolution of capital to schools and the availability of new condition and suitability funding.

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## Case study 1

### The Somerset insurance scheme for the maintenance of school buildings

Somerset LEA offers a risk spreading insurance scheme to its schools called the Building Maintenance Indemnity Scheme (BMIS). It was first introduced in 1994 to provide support for schools with responsibility for delegated repairs and maintenance. The LEA now delegates all of its funds for building maintenance and over 90 per cent of the schools choose to subscribe to BMIS and invest their delegated repairs and maintenance money in the scheme.

For each school, 60 per cent of its subscription is reserved for use on its own maintenance. The remaining 40 per cent is pooled for the benefit of all schools and provides a safety net for schools in the event of an urgent and costly repair being needed in order to keep buildings safe and operational.

The scheme is run by a Fund Manager on behalf of the member schools. The Fund Manager reports to an Advisory Board which is made up of representatives from the LEA and schools.

*Source: Audit Commission fieldwork*

- 51 Insurance schemes have a number of advantages. These include the following:
- individual schools do not need to build up financial reserves as an insurance against unforeseen future repairs;
  - all money delegated for repairs and maintenance and invested in the scheme is ringfenced for spending on the buildings and cannot be redirected into other areas of school spending;
  - the LEA retains a degree of strategic influence over the long-term care of its property assets;
  - the scheme enables money to be targeted at the buildings in greatest need of repair;
  - the scheme includes both revenue and capital maintenance, avoiding the split of responsibilities between the LEA and schools on the maintenance of individual building components, which has been shown to lead to conflicts when money needs to be spent;
  - the scheme is managed by property professionals who are able to apply their expertise to ensure that good practice is followed in the procurement and management of building works; and
  - the scheme promotes active collaboration between schools.
- 52 Working with schools, many authorities have produced elements of pooling of maintenance funding or have revised the buildings element of the school funding formula to allow the resources to be more closely linked to the condition of different schools. Elements of the building funding remain on a per school, per pupil and floor

area basis to take account of the maintenance, servicing and energy requirements of all schools. A percentage of the resources is allocated on the basis of the condition of school buildings, as identified in the asset management plan.

- 53 Some schools and LEAs remain very positive about the benefits of these arrangements for revenue maintenance funding. The substantial increase in capital resources has, however, persuaded other authorities that the costs of the schemes outweigh the benefits. Schools involved in PFI schemes cannot be involved and schemes are only possible where schools have a high level of trust in the LEA's property services and strategic planning.

### Monitoring school expenditure

- 54 Schools vary in the effectiveness with which they use their delegated and devolved building resources. Evidence presented in Chapter 3 of the report also shows that schools differ considerably in the amount of their budget that they are spending on building maintenance. Many LEAs are increasing the monitoring of school expenditure on their buildings. LEAs have no powers over individual school funding to ensure that it is used in line with strategic priorities. Despite this, good quality stewardship of the properties requires adequate preventive maintenance. To ensure that this takes place, good LEAs assess the revenue resources required for continued maintenance to protect the capital investment and the use of these resources by schools. LEAs should adopt such action as an element of best practice.

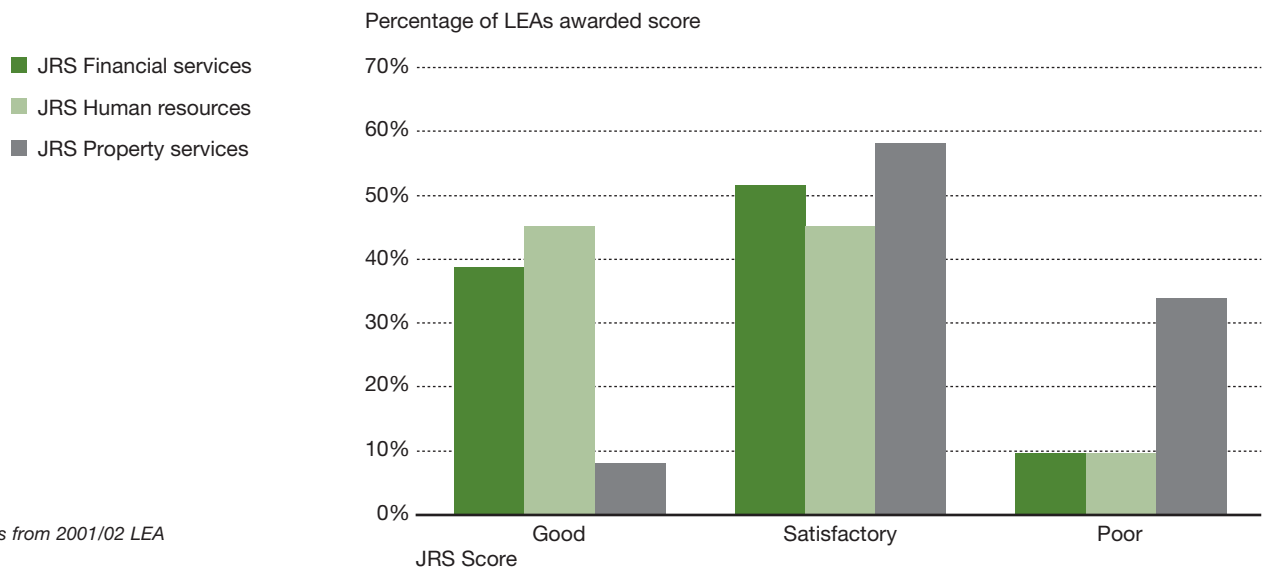
## Operational property services

- 55 Operational property services are still unsatisfactory in too many LEAs. In the first cycle of inspection of all LEAs, property services were judged to be unsatisfactory or poor in 44 per cent of LEAs and good or excellent in only 11 per cent of authorities. They were judged to be unsatisfactory in seven of the nine LEAs inspected in September 2002. Property services are less satisfactory than other management support services, both in the judgement of inspectors [**Exhibit 4, overleaf**] and in the views of schools. In the 2002/03 web-based *Survey of schools' views of their LEA*, carried out by the Audit Commission, the quality of building maintenance services, and programming and management of building projects were more negatively rated by schools than most other services provided by LEAs. Information from the web-based survey will be presented in the forthcoming Audit Commission report *Schools' views of their LEA 2002: the national school survey*.

### Exhibit 4

#### Inspection judgements for property services

Judgement Recording Statements (JRS) scores for property services are considerably worse than for other management services such as financial support or personnel.



Source: JRS scores from 2001/02 LEA Inspections

56 A large number of inspection reports have identified concerns about the quality of property services **[Box F]**.

### Box F

#### Inspection views on property services

Property services were poorly rated in many authorities recently inspected.

*The repairs and maintenance service was the lowest rated of all the LEA services and, together with grounds maintenance, the service which schools are most likely to consider buying from outside. Most schools visited felt the [Direct Service Organisation] DSO offered poor value for money... Schools reported variable service from their cluster surveyor who was often difficult to contact, and poor co-ordination and supervision of repair work, especially when several contractors were involved.*

*Building and technical services, together with the building maintenance service are corporate organisations, remote from schools and without the capacity to cope with the volume of projects generated by the increases in capital grants. The council has been slow to implement its own plans to involve the private sector in project development and management.*

*The pilot best value review concluded that schools' dissatisfaction with services was due to poor contractor performance and the failure of the service to 'grasp the culture of meeting clients' needs'.*

*The support provided to schools is poor in all respects. The system adopted, whereby a link to schools is provided through a 'patch surveyor', is not functioning effectively. Response times are slow and work carried out by contractors is of variable quality.*

*...there is insufficient cohesion between the education property services and central council operations and schools are unclear about their respective roles and how best to access help. School satisfaction ratings on corporate property services are low. Within education property services there is a further lack of clarity about the roles of the area team members with no understanding about which functions are strategic and which should be traded.*

**Source:** Extracts from five LEA inspection reports

## Issues identified by inspections

- 57 The complexity of property services means that no single factor is causing the concerns expressed by schools and the findings of LEA inspection reports. Factors involved include the level of resources invested in property support and capacity problems in the building industry. Examination of inspection reports, however, shows no correlation between schools' views on the quality of services and the extent of the backlog in the maintenance of the school buildings in the LEA.
- 58 Resource issues for property services have already been identified in this report. Many local authority property services were run down during the 1980s and early 1990s as investment reduced. Attracting good quality staff to build them up again has not been easy. Good quality services require both the LEA and schools to be willing to budget and pay for the necessary expertise.
- 59 The substantial investment in building projects has put strains on building technical and contracting resources in many areas. A range of programmes are, at the same time, producing a demand for building resources. In education, as well as the New Deal for Schools, this has included the Class Sizes Initiative and Excellence in Cities and Early Years projects. In some areas these have coincided with a range of housing improvement and urban renewal initiatives. This has inevitably produced localised capacity problems for the building industry, parts of which suffer from inherent organisational problems and shortages of skilled labour.
- 60 Building work in schools presents particular difficulties because of the need to programme as much work as possible during school holidays and to ensure that it is completed before the beginning of the academic year. This is clearly desirable to avoid disruption to school organisation, but with large scale programmes a lack of flexibility over timings can add significantly to building costs.
- 61 Inspection reports have identified that, in some cases, problems arise from the lack of understanding and appreciation of school needs by corporate property departments.

## Factors evident in successful property services

- 62 Inspection evidence shows that there is a need for improvement in the quality of property services in many LEAs. Appendix 2 identifies LEA inspections where property services have been judged to be excellent. Extracts from published inspection reports are included to encourage the spread of best practice. Further report extracts are available on the Audit Commission website ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).
- 63 The principles of organising effective property services are not fundamentally different from any other LEA provided service. In some ways, however, they are made more problematic by the difficulty of interactions with the construction industry. Where property services have been found to be successful, they have:
- developed well-defined contractual arrangements with clarity about where responsibilities lie. These contractual arrangements are then specified in the service agreements;
  - clearly identified the costs of the service and mechanisms to ensure that they provide value for money;
  - attracted sufficient numbers of high-quality staff who are able to deliver the range of tasks involved;
  - developed effective partnerships to bring together public and private sector skills;
  - developed good relationships with schools;
  - established effective arrangements for the management of contractors in a difficult market in many areas; and
  - developed innovative arrangements for delivering better value for money in construction as part of the Rethinking Construction agenda (**Ref. 9**).
- 64 An increasing number of LEAs have reviewed organisational arrangements for the provision of property services. Some have chosen a range of alternatives including outsourcing, strategic partnership (with public or private sector organisations, or a combination of both) or services provided through PFI contracts. Authorities need to be reviewing their procurement strategy for determining which approach to apply. Many of these initiatives are very new and, as a result, it is too early for inspection evidence to produce a judgement on the effectiveness of alternative arrangements. Evidence from inspections to date is that organisational arrangements alone are not the prime determinants of successful services. Both in-house and outsourced services have been praised and criticised in different LEAs.
- 65 The responsibility of schools for managing their buildings means that their role in the asset management process is increasingly important. This is examined in the next chapter.

# 3



## Asset management planning in schools

Schools vary in how effectively they are carrying out their increased property responsibilities. There are variations in school spend on maintaining their buildings. School control of building resources has contributed to the increase in school revenue balances. There should be more systematic and focused monitoring of how schools are spending their building resources.

66 The increase in property resources controlled by schools means that they now, in most cases, have much greater responsibility for the quality of school buildings in the long term. Without positive involvement and co-operation from schools the increased capital investment by Government cannot be spent to best effect. Schools control both capital, through Devolved Formula Capital, and revenue, through delegated maintenance funding, as part of the school funding formula. Schools involved in PFI schemes have transferred this responsibility to contractors as part of the PFI contract. In order to carry out their responsibilities effectively, they need access to property skills and to develop good medium-term resource planning skills.

## Access to property skills

67 School access to property skills varies substantially. They need a combination of in-house expertise and technical skills that they purchase externally. Obtaining good-quality property services requires schools to have the capacity to act as effective clients for the services that they receive, both to specify their requirements and to manage the outcomes.

### Expertise in schools

68 Schools have widely differing levels of in-house property skills. Smaller schools, in particular, may not have access to a high level of experience. A large secondary school is more likely to benefit from a combination of:

- a site manager, with building industry skills or experience, who can effectively control building work on-site;
- an experienced bursar with a high level of contract management and financial skills; and
- school governors with a professional building background.

### Access to external skills

69 Schools need access to good-quality technical skills to assist them with building management and they need to be able to choose the best method for securing the support. Building up the level of expertise in every single school is not a cost-effective solution and so there will be a need to purchase external skills. The skills that they need to access include:

- understanding the school asset management planning information that they receive;
- translating this into a long-term investment plan based on a realistic view of the resources available;
- negotiating with the LEA where there is a shortage of resources;
- identifying and joining up funding streams with the help of the LEA;
- identifying and accessing alternative funding sources;

- design and management skills for major projects;
- contract management skills and access to skilled contractors for smaller projects; and
- arranging contracts for the service of plant operations and equipment.

70 In the move towards increased delegation, the requirement for these skills has at times been under-estimated. It can be too easy to assume that personal experience of building works on domestic projects can be translated into the higher-level contracting skills necessary for managing complex contracts on large public buildings. Schools need to consider the resources that they should spend in obtaining these services and skills. There is a difficult balance to be reached between cost and the quality of the service that they obtain. Many, but not all, Voluntary Aided schools have support from diocesan boards. The Education Act 2002 (**Ref. 10**) increases the opportunity for schools to share these skills on a cluster basis with neighbouring schools.

## The quality of resource planning in schools

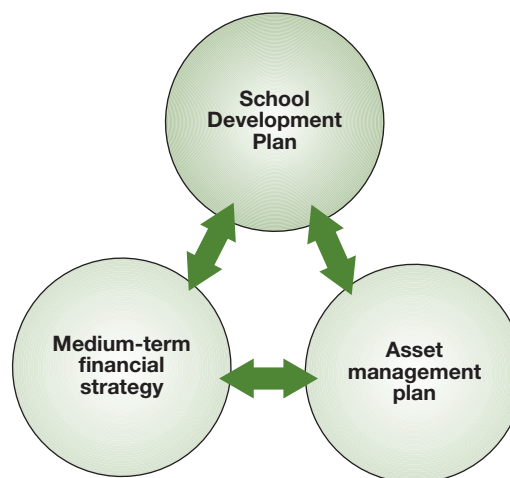
- 71 The quality of resource planning within schools also varies substantially. The transfer of building responsibilities with the associated resources increases the importance of effective long-term resource planning if buildings are to be maintained effectively.
- 72 Schools need to plan over the long term to spend their delegated repairs and maintenance resources and their Devolved Formula Capital well. Without effective long-term planning, the benefits of the substantial recent increase in capital resources will not be sustained in the future. Plans need to be linked to School Development Plans and to medium-term financial strategies. **[Exhibit 5, overleaf]**. The educational impact of the resources invested needs to be examined by schools.
- 73 Audit Commission research published in *Money Matters* (**Ref. 11**) identified concerns about the way that many schools linked priorities to resources and the limited strategies for evaluating the impact of their spending decisions. School Development Plans were often inadequately linked to budget plans and priorities were not costed.
- 74 The devolution of capital revenue means that schools have a responsibility to ensure that they obtain value for money from these resources. In 2003/04 a 900 place secondary school will receive around £68,000 in its Devolved Formula Capital Allocation and this will rise to nearly £80,000 in 2005/06. A 200 place primary school will receive nearly £20,000 in 2003/04 and £23,000 in 2005/06. In addition, information from the Audit Commission Comparing School Finances<sup>1</sup> website indicates that on average primary schools (with about 200 pupils) spend £13,000 and secondary schools (with about 900 pupils) £62,000 from their delegated budgets on maintenance of their buildings.

<sup>1</sup> The Comparing School Finances website ([www.schools.audit-commission.gov.uk](http://www.schools.audit-commission.gov.uk)) is designed to help school managers and governors to benchmark their spending patterns with those of similar schools. This can help them to achieve better value for money by identifying areas of relatively high or low spending which may need to be investigated.

## Exhibit 5

### Links between asset management plans and School Development Plans

Schools which plan effectively link their asset management plans to other plans.



Source: Audit Commission

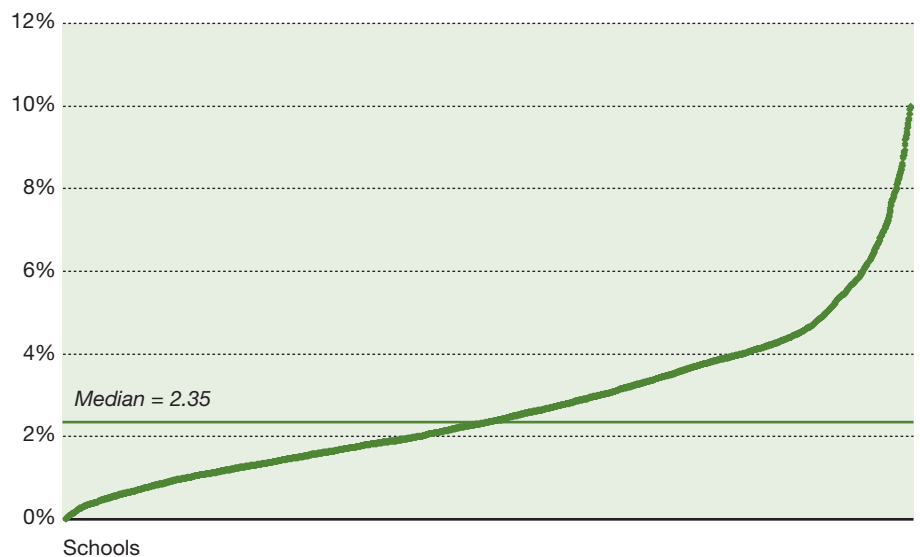
- 75 The letting of a greater number of smaller contracts for their Devolved Formula Capital presents challenges for schools in terms of obtaining the most effective use of resources as well as value for money. Framework contracts developed by some LEAs for schools can help with this process. The range of funding sources and the increasing variety of uses of buildings on school sites also makes property management and maintenance issues for schools more complex.
- 76 Schools also need to plan and utilise the revenue resources that are delegated to them for repairs and maintenance of their buildings. Evidence from the Audit Commission Comparing School Finances website shows that there are very large variations in the percentage of their budgets that schools spend on building maintenance [Exhibit 6]. According to the information recorded by nearly 5,000 schools, the median expenditure was 2.35 per cent of the school budget. Around 10 to 15 per cent of schools claimed to be spending less than 1 per cent of their budgets on building maintenance. On the other hand, around 2 per cent of schools claimed to be spending over 10 per cent of their budget on buildings, probably reflecting schools that had saved up for large scale projects. There are implications for schools that are not spending a sufficient amount of their resources on maintenance, as this translates to long-term negative impact on the condition of school buildings.

## Exhibit 6

### Expenditure on school buildings as a percentage of total delegated budget

There are large variations in the percentage of their budgets that schools spend on building maintenance.

Percentage of total delegated budget



**Source:** Audit Commission Comparing School Finances website, 2002. Based on data provided by 4,666 schools.

- 77 Part of the initial fieldwork for this study included visits to schools where building responsibilities are being carried out enthusiastically and well [Case study 2]. In many schools visited, however, the information available to plan building management effectively was not being used to best effect.

## Case study 2

### Effective school building planning

Hilton Lane School is situated in a challenging area in Salford. The school was built in 1961 with bitumen flat roofs and timber glazed or clad external panels. Around six years ago, the typical problems that resulted from the original construction standards and lack of preventive maintenance investment were clearly apparent and there was a danger that the fabric of the school would seriously deteriorate.

The school decided to work in partnership with the LEA to use a mixture of authority and school resources to improve substantially the building condition over a number of years. Roof repairs were funded through the New Deal for Schools four years ago, with the school contributing 15 per cent of the cost. The school is undertaking a programme of replacement of external doors and window frames with UpVC replacements. This is being funded primarily from the Devolved Formula Capital available to the school. The

school has agreed with the LEA to bring forward some of its devolved capital to accelerate the programme and to obtain better value for money from the building contract. Rewiring is also being funded through the New Deal for Schools.

The key to the success of the school is that the headteacher and governors plan well together to meet school building needs. This planning is then followed through to implementation. They have used the building condition information to plan their investment. Property investment is clearly a part of the School Development Plan. Available capital funding streams have been integrated to obtain value for money in building investment.

At the same time, the school has not allowed itself to be diverted from the school improvement agenda. Hilton Lane is a Beacon School in a challenging area and it is innovative in its use of ICT. One-hundred per cent of Key Stage 2 pupils achieved Level 4.

*Source: Audit Commission fieldwork, 2002*

- 78 School use of resources in maintaining and improving their buildings is not currently examined in any detail in school inspections carried out by Ofsted.

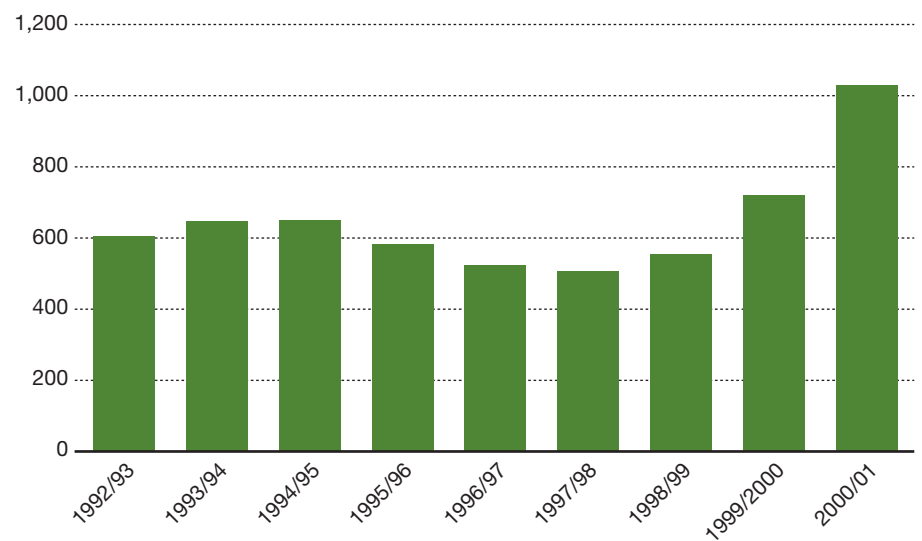
## Links to increases in school balances

- 79 Schools' responsibility for their buildings is an important factor in the prudent financial management of schools. The levels of school balances have been increasing substantially over the last four years [Exhibit 7]. They have increased from £523 million in April 1997 to £721 million in April 2000 and £1.03 billion in April 2001. Schools need to retain sensible levels of operating balances, but these should be at a reasonable amount to avoid tying up excessive revenue resources which should be spent for the benefit of existing pupils.
- 80 A variety of factors are responsible for the increase in school balances. The Audit Commission publication *Money Matters* (Ref. 11) identified several factors, including continued financial prudence of headteachers, the difficulties of managing the range of funding streams and changes in funding announced in the middle of financial years.
- 81 Many schools feel that they need to save resources to pay for unpredictable potential future building problems. If all schools maintain a sinking fund to even out peaks and troughs of expenditure, this adds up to substantial balances overall. Analysis carried out by a recently inspected authority demonstrated that those schools that had accumulated substantial balances identified revenue savings for future buildings schemes and delays in programming building projects as two of the main factors. The extent of revenue and capital building resources that are not allocated according to need increases the problem. Further examination of the reasons for increasing school balances should be a matter for future audit and inspection activity, and ultimately action from Government.

**Exhibit 7****School balances – from LEA outturn statements  
(s42, s122, s52)**

Overall net school balances are increasing substantially.

School balances (£ million)



Source: DfES

- 82 Further work is needed to identify whether schools are obtaining value for money from their capital and revenue resources on buildings and whether schools are spending enough to protect the condition of their buildings for the long term. There is only limited monitoring of the way that schools carry out their property responsibilities. Their building management is not examined in any detail in school inspections carried out by Ofsted. LEAs have only limited powers to monitor school use of their building resources. More effective scrutiny is needed to ensure that increased resources are used wisely.

# Conclusions and recommendations

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Increased capital investment and asset management planning processes are making a substantial difference to the condition of school buildings. Ensuring the best use of the resources requires an effective partnership between government, LEAs and schools. In many local authority areas this partnership is now working very effectively. There is now a need for Government to re-examine what has been shown to work and to look at areas where improvements are needed. LEAs and schools should examine their performance and learn from the best in order to play their part in the effective use of the sustained capital investment.

## **The Government should:**

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- Re-examine funding arrangements and allocate more of the capital resources to take account of need.
- Develop a vision of national minimum and expected standard for school buildings. This will focus LEA plans on ensuring that all schools meet this standard.
- Maintain an effective balance between resources distributed through centrally determined programmes and LEA asset management plans.
- Ensure that arrangements are in place for the more systematic and focused monitoring of how schools are spending their building resources.
- Reduce the fragmentation of funding streams for improvements to school buildings and grounds.
- Work with local authorities and the Audit Commission to agree common performance measures to be used in DfES assessments by LEAs in their self-monitoring and in LEA inspection. These should include monitoring of spend of capital allocations by LEAs and schools.

### LEAs should:

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- Address the inadequacies of the property services available to schools.
- Identify the role of capital development in their school improvement priorities and target investment more clearly towards this purpose.
- Re-assess with schools the level of delegated revenue maintenance funding that is necessary in the school funding formula for long-term protection of building stock.
- Monitor school asset management plans and their use of Devolved Formula Capital and delegated revenue maintenance funding.
- Work with schools to help them to become better informed and more confident in handling property issues.
- Develop procurement methods to ensure improvements in quality and value for money of building works. The Rethinking Construction agenda (Ref. 12) provides a focus for this.

### Schools should:

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- Develop their asset management plans and link them to their School Development Plans and their medium-term financial strategy.
- Link their asset management plans to the LEA capital strategy.
- Spend a sufficient amount from their delegated maintenance funding to protect their buildings in the long-term.
- Secure good-quality technical support in order to meet their property management responsibilities.

### In playing its part, the Audit Commission will:

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- In conjunction with Ofsted, review the criteria for inspecting asset management planning and property services in LEA inspection.
- Input results from the Audit Commission's continued monitoring of asset management planning into the risk assessment and improvement planning processes for local authorities.
- Conduct further work to examine the way that schools carry out their property responsibilities.

# Appendix 1: the asset management planning process

Under the Schools Standards and Framework Act 1998 (**Ref. 13**), each LEA is encouraged to produce an asset management plan. The plan is to be produced in consultation with local stakeholders (primarily, schools and diocesan authorities) and is to outline the authority's agreed priorities for work in schools. The building works are to cover all property-related expenditure – revenue and capital, including delegated and devolved funding.

The asset management plan is intended to form part of the corporate asset management plan. It should take into account the capital consequences of other local plans with their premises implications.

Asset management plans apply to all types and categories of schools. They cover the following aspects of teaching and non-teaching accommodation:

- physical condition of school buildings;
- number, size, shape and location of spaces;
- environmental conditions;
- fittings and fixed furniture;
- ICT infrastructure;
- health and safety/security issues; and
- economic use of premises.

The DfES has identified the main objectives of asset management plans as:

- an agreed basis for effective and joined up local decisions on school capital spending priorities;
- a more effective partnership between schools and authorities;
- much greater certainty of funding for most authorities and schools;
- good asset utilisation and stewardship, with much greater value for money;
- the ability to target investment, making the link between the council's capital investment strategies and government priorities;
- open consultation and fairness;
- effective options appraisal and a much more reliable basis for making capital allocations;
- a better balance between capital and recurrent expenditure with a greater focus on lifetime costs and sustainable and energy efficient buildings; and
- innovative design solutions, with modernised and fully inclusive buildings, supporting ICT-based learning for all.

## Local Policy Statement

Each authority has to have a Local Policy Statement that sets out the policy context within which the asset management plan sits. The Local Policy Statement must include core information specified by the DfES and it must be subject to consultation with stakeholders. It explains how the processes underpin the asset management planning work.

## Statement of Priorities

This sets the authority's context, identifying where service delivery needs to be underpinned by capital investment in order to achieve the authority's aims and to deliver its strategic priorities.

It links the strategic priorities identified in a range of education, corporate and community plans and demonstrates their alignment with government and specific DfES priorities.

The Statement of Priorities also identifies how issues arising from premises surveys (as they are linked with strategic priorities) will be prioritised.

The statement sets out the principles adopted by the authority in determining its capital investment programme. It specifically addresses premises performance targets set by the authority and explains how these are being achieved. Authorities also explain their use of option appraisals, the design standards adopted, procurement and project management and delivery processes.

These form the basis for determining the capital programme. This part of the statement includes the timescales, funding streams, arrangements for monitoring schools' use of devolved capital and any PFI schemes. It also lists main projects over £250,000. The programme should demonstrate how joined up funding streams are used strategically.

Appendices to the Statement of Priorities cover specific LEA targets, outputs against targets, the capital programme from 2002 to 2006 and sources of capital funding.

## Core data

The three basic sets of information that are required about each school for asset management planning are the **condition**, **suitability** and **sufficiency** of the accommodation.

**Condition** focuses on the physical state of the premises to ensure safe and continuous operation, including the development of planned maintenance programmes and other requirements that may involve building regulations and other non-statutory provision. Authorities are required to complete condition surveys of all schools every five years starting from 1999. Condition surveys are undertaken using, as a minimum, the guidance provided by the DfES, which is based on condition survey information provided by the Royal Institution of Chartered Surveyors. Building elements are to be assessed on a system which classifies elements on condition and risk. This becomes a matrix for assessing projects.

**Suitability** focuses on how well premises meet the needs of pupils, teachers and other users and on how they contribute towards raising standards of education. The assessments are concerned with numbers and characteristics of each type of internal space and external area; also with aspects of health and safety and security.

**Sufficiency** focuses on the quantity and organisation of places within and across schools, taking account of the demands of other services, for example, community services. From June 2002, the capacity of all maintained mainstream schools in England will be assessed using the 'net capacity assessment method' (**Ref. 14**). This replaces all previous methods of assessing the capacity of schools.

Net capacity is intended to provide a single, robust and consistent method of assessing the capacity of schools. For primary schools, the net capacity is calculated on the basis of the number and size of spaces designated as 'classbases' (**Ref. 14**). For secondary schools, it is based on the number, size and type of teaching spaces and the age range of the school. These are checked against the total usable space available.

## Appraisal

Previous appraisals of authorities' asset management plans by the DfES focused primarily on putting the plans in place. They covered compliance against specified content and processes for assessing condition, suitability and sufficiency.

From 2002 to 2003, the DfES is changing how it appraises asset management plans. These changes will focus on meetings involving the Standards and Effectiveness Unit of the DfES and local authority chief executives and chief education officers. The meetings have looked at links between an authority's capital investment strategies and government priorities. The Statement of Priorities will be the key document for discussion and monitoring. Authorities will be expected to demonstrate a shift from process management to strategic development, emphasising outputs and outcomes, with evidence of progress against improvement targets.

Appraisal will be differentiated to reflect authorities' needs and the DfES will look for evidence of an authority's ability to deliver programmes quickly and to utilise all of the available resources.

For 2003/04, appraisal will assess how the LEA is making best use of available funds, the school capital programme and capital funding sources, the Local Policy Statement, how the authority is embedding its asset management plan at school level and how it is securing best value, including how it applies DfES/ ODPM option appraisal guidance.

The outcomes of appraisal will determine the freedoms and flexibilities that an authority has in implementing its asset management plan.

## Appendix 2: authorities where inspection reports have identified that LEA property services are excellent

In the inspection of all 150 LEAs, (during the first cycle of inspections), property services were judged to be excellent in three LEAs and good in a further twelve. Extracts are given below from the inspection reports on two LEAs where the services were judged to be excellent. Further extracts from inspection reports where property services were judged to be good are available on the Audit Commission website ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

### Shropshire LEA, Spring 2001

*Headteachers in Shropshire paint a refreshingly positive picture of the excellent work done by the LEA on property matters; they are right to do so. Although it is true that relevant officers are expert, that there has been regular, planned investment, and that documentation is clear and accurate, it is not these factors which set the performance of Shropshire apart. The level of customer focus seen here is the main reason why Shropshire schools rated this area of operation highest of all LEAs so far inspected.*

*The LEA has worked consistently to some simple but effective principles. These include: a focus on helping schools to achieve what they need to improve performance; imaginative solutions to problems involving regulations and funding; officers from various areas of the council providing consistent advice; involving schools in decisions; reaching shared agreements on priorities and funding mechanisms.*

*The council has also provided schools with such a comprehensive range of service level agreements for property maintenance that all schools feel able to purchase a level of service appropriate to their needs. This, together with a good Asset Management Plan, and the relationship with schools outlined above has placed Shropshire in a strong position to take full advantage of any new investment by central Government to further improve on their building stock.*

### Warwickshire LEA, Summer 1999

*Property Services is a central department of the County Council that is providing a very effective service to schools both for structural repair and maintenance and for tenants' maintenance, where this is bought in. Annual property condition surveys are carried out to determine priorities for capital spending, making the Department well placed to respond to the requirements of the Asset Management Plan, with suitability a priority for future action. Schools rated the LEA's advice and support on school accommodation and on the condition of school buildings higher than the average of*

*other LEAs in the School Survey. Visits to schools also elicited positive accounts of the service, with particular credit given to the work of building surveyors.*

*The priority allocated to energy conservation is appropriate and welcomed by schools. Participation in survey work with 16 other LEAs to benchmark costs of maintenance in secondary schools shows that Warwickshire's maintenance backlog is below the average of LEAs in the sample. Other costs such as energy catering, rates and water expenditure were also below average, while mechanical maintenance was above the average. Electronic links with schools enable the monitoring of energy efficiency. Health and safety, security, and risk management inspections delivered by [Warwickshire Education Service] WES, also given a high priority by the LEA, are well regarded by schools.*

# Appendix 3: research and acknowledgements

## Sources of evidence

### *LEA inspections*

Review of inspection material for LEA inspections carried out between autumn 1998 and September 2002.

### *Fieldwork LEAs*

Bath and North East Somerset, Kensington and Chelsea, Manchester, Northamptonshire, Salford, Shropshire, Waltham Forest, Warwickshire, West Sussex.

### *Schools' perspective*

- Audit Commission *Survey of schools' views of their LEA* carried out as part of LEA inspections and the first annual web-based survey in 2002/03.
- Visits to schools carried out as part of inspections and fieldwork.

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### *External Commentators Group*

Abigail Elrick	<i>Royal Borough of Kensington and Chelsea</i>
Brian Harris	<i>Cambridgeshire County Council</i>
David Martin	<i>Kirklees Metropolitan Council</i>
Gerard Mitchell	<i>Manchester City Council</i>
Gordon Joyner	<i>Oxfordshire Diocesan Board of Education</i>
Michael Luntley	<i>Solihull Metropolitan Council</i>
Peter Cordy	<i>London Borough of Hillingdon</i>

### *Internal Commentators Group (Audit Commission)*

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### *Members of the Advisory Group*

Alan Jones	<i>Department for Education and Skills</i>
Andrew Morris	<i>National Union of Teachers</i>
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Russell Clarke	<i>Secondary Heads Association</i>
Terry Pearson	<i>National Governors Council (NGC)</i>

# Glossary of terms

## **Basic need**

This is the difference between the forecast demand for pupils' places and the existing schools' capacity to provide them. Where an authority can demonstrate that the demand for places is greater than the places available, subject to published criteria, it is able to bid to the DfES for additional funding to provide the places. The DfES has consulted on proposed changes to the way basic need funding will be allocated and expects to move to a more formulaic approach.

## **Capital spending**

This is expenditure undertaken on large items expected to provide benefit for several years. For local authorities, capital spending includes the acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures; where enhancement means the carrying out of works which are intended:

- to lengthen substantially the useful life of the asset; or
- to increase substantially the open market value of the asset; or
- to increase substantially the extent to which the asset can be used for the purposes of or, in connection with, the functions of the local authority concerned.

In this report, capital spending refers to the investment by an LEA in providing new schools, extending or refurbishing existing schools or in undertaking major repairs and maintenance above a sum agreed in the scheme of delegation for schools.

## **Comprehensive performance assessment**

During 2002, the performance of all upper tier local authorities was assessed, based on a combination of service judgements and corporate assessments of the capacity to improve. The findings were reported by the Audit Commission in December 2002.

## **Devolved Formula Capital**

This is capital funding allocated to individual schools by the DfES, through LEAs. The basis of the allocation is a fixed amount per school (determined by type of school) and an element per pupil. This can only be spent on capital expenditure. Schools may save their allocations for a three year period to undertake major projects. However, any unspent monies will be reclaimed by the DfES.

## **Early Years and Development and Childcare Plan (EYDCP)**

This is a statutory plan for the DfES prepared by local Early Years and Childcare Partnerships. It sets out how they will deliver the early years strategy for their area, including the range and mix of facilities and providers, resources, targets and outcomes.

## **Education Development Plans and Education Strategic Plans**

The Education Development Plan is a statutory plan for the DfES produced by LEAs in consultation with schools and other stakeholders. It sets out the authority's priorities for education, taking account of national and local issues, identifies a programme of action, expected outcomes and resources to deliver these over three years. Plans are assessed by Ofsted and delivery is monitored by the DfES.

Five LEAs have negotiated, as part of a Local Public Service Agreement, that they will publish Education Strategic Plans in place of EDPs. These plans incorporate the range of statutory education plans which the authority is required to produce.

**Judgement Recording Statements (JRS)**

This is the framework against which Ofsted/Audit Commission inspectors base their judgements of the performance of LEAs. It identifies the range of activities undertaken by LEAs and indicators of good, satisfactory and poor performance for each of these. These functions include asset management planning and property services. The judgements are on a seven point scale with (1) being excellent and (7) poor.

**Private Finance Initiative (PFI) and Public Private Partnership (PPP)**

PPPs use private sector capital for the provision of public infrastructure and services through various forms of joint working. PFI is now the main vehicle for achieving PPPs.

Design, Build, Finance and Operate (DBFO) is the main PFI model used in local government. The public sector purchases services from the private sector in association with a capital asset such as a school. The private sector owns the asset through a freehold or long lease and provides the services over the contract period, usually 25-30 years. At the end of the contract, the assets should return to public ownership.

**Rethinking Construction**

The report of the Construction Task Force produced by Sir John Egan for the then Department for Environment, Transport and Regions (DETR) in 1998 (**Ref. 15**). The report recommends that new building projects should take more account of sustainability and life cycles in the choice of materials and of energy efficiency in designing heating, lighting, ventilation and water service systems.

**Revenue spending**

This is expenditure undertaken on day-to-day maintenance of assets. Local authorities are required to delegate revenue funding to maintain schools through the school funding formula. Schools are expected, though not required, to spend delegated repair and maintenance funding for that purpose.

**Single Capital Pot**

This replaces the existing fragmented arrangements for government allocation of capital to local authorities and enables them to use resources more flexibly. A fixed proportion of the pot – at least 80 per cent – will be allocated by needs-based formulae and the balance by ministerial discretion. Initially, the discretionary element will be no greater than 5 per cent.

The discretionary element of allocations is made on the basis of:

- an assessment of authorities' corporate capital strategies; and
- council's action plans for managing their assets – their corporate asset management plans.

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**PFI in Schools: The Early Quality and Costs of Buildings and Services provided via the Private Finance Initiative.** This report looks at current examples of schools working under the Private Finance Initiative, drawing on a range of evidence. It makes comparisons with more traditional procurement methods and looks at the design and build quality of schools so far. It emphasises the need to learn from the early school schemes, and makes suggestions for future improvements to the Private Finance Initiative in schools.

National Report, 2003

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National Report, 2002

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