



Building schools for the future

partnerships for schools

Summer 2005

transformation

in this edition

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Debt Funding



What's in
IT
for you?

Why ICT is at the heart of BSF

Welcome



David Goldstone, CEO

Welcome to the summer edition of our newsletter. Things have moved on in leaps and bounds in the last three months. I'm particularly pleased with the development of the market and the fact that the Building Schools for the Future project pipeline is starting to flow. Almost all of the

Wave 1 and Pathfinder projects have signed off their Education Visions and ten out of seventeen have reached OJEU. Bradford, Bristol and Newcastle have short listed bidders and issued ITNs. Our Wave Chart below shows you exactly at what stage in the BSF process each Wave 1 Authority is.

We have also seen successful uptake of both the standard LEP model and adaptations to this. For example, Solihull and Knowsley are not using a LEP as they do not have long term programmes under BSF, whilst Stoke's approach has to accommodate its whole estate PFI scheme. Other than such specific cases, Greenwich remain the only variant, with eight in, or about to be in, procurement on the standard model. This shows that PFS is now delivering both a range of different solutions to respond to local circumstances, but also that there will be real value from the standard model across the greater part of the programme.

As you may be aware, my position here at PFS is as a secondment from PUK. When I was confirmed as CEO at PFS last summer it was only as an extension of the original secondment to PFS, not a permanent solution. So it has always been the intention to find a permanent appointee during 2005 and we have recently started the recruitment for my successor. We will of course keep you posted on developments but rest assured, things for me are very much business as usual.

Having given you an overview of the PFS team last time, we have drilled down to focus on some specific functions that are important to the work of PFS, including how the benchmarking will work and the importance of ICT to BSF. Other highlights of this newsletter include an update on funding for Special Educational Needs (SEN) pupils, as well as some more in-depth features on the evolution of the programme and on the approach to debt funding.

I do hope you find this latest newsletter interesting. If there are any issues you would like us to look at in our autumn issue, please email us at transformation@p4s.org.uk

PfS Governance Structure now in place

Following the appointment of Mike Grabiner as Chair in December 2004, the rest of the Oversight Board Members for PFS were confirmed in April 2005. The Oversight Board is the statutory board of the company, and of the Non-Departmental Public Body. The Board Directors are:

- Richard Baldwin
- David Bullock
- Christine Davies
- Stella Earnshaw
- Lynne Morris
- Brian Rigby

- Their main focus, alongside the governance of the company, will be on:
- The extent to which the programme is achieving the over-riding objective of supporting and enabling transformation in educational outcomes in local areas;
 - The extent to which the programme is being delivered to achieve the value for money and efficiency objectives behind the planning of the programme, procurement and delivery approaches; and
 - The effectiveness of the interfaces with key stakeholders, including Government, local authorities and the private sector.

Sen update

The DfES has run a consultation regarding design for pupils with special educational needs and disabilities in schools. The (draft) revised version of Building Bulletin 77 sets out guidance on the planning, briefing and designing of special school accommodation across all educational sectors where there are likely to be pupils with special needs and disabilities. It provides information for those involved in building new school accommodation, or adapting, modifying or extending existing premises.

Making waves

Key facts about each Wave of the Programme

Wave 1

The Progress Chart below shows the stage of each authority in Wave 1 as this newsletter went to print:

- 16 Wave 1 and Pathfinder projects have had their Education Visions signed off
- 13 have submitted SBCs
- 11 OBCs are through to PRG
- 10 have reached OJEU
- 8 have long listed bidders
- Bradford, Bristol and Newcastle have issued ITNs
- The first preferred bidders are on track to be selected in the autumn this year

Waves 2 and 3

PfS is working with Wave 2 authorities currently on their Education Visions and Strategic Business Cases, with a view to the Authorities having completed these by the autumn of this year and many going through PRG and issuing OJEUs by the year-end. We have already started providing Wave 3 authorities with guidance on their Education Visions, with full engagement of this Wave on to the programme from September.

The guidance is written mainly for providers, education advisers, architects, engineers and building contractors on school building projects. It may also be of assistance to head teachers and their staff. The guidance aims to provide a high quality of design in learning environments for all pupils, but especially for those with special educational needs and disabilities. This is integral to the development of BSF project planning and so PFS recommends readers view this consultation at www.dfes.gov.uk/consultations/conDetails.cfm?consultationId=1335.

Pathfinders/Wave 1. Total number of projects:17

Local authority	Bradford	Bristol	Newcastle	Sheffield	Greenwich	Solihull
Education Vision signed off						
SBC submitted to DfES	Sep-04	Aug-04	Jan-05	Jul-04	Dec-04	Nov-04
OBC submitted to DfES	Sep-04	Aug-04	May-05	Oct-04	Jan-05	Nov-04
OBC to PRG review	Sep-04	Sep-04	May-05	Oct-04	Jan-05	Nov-04
OJEU issued	Oct-04	Oct-04	Dec-04	Jan-05	Jan-05	Mar-05
Long list announced	Feb-05	Dec-04	Mar-05	Mar-05	Apr-05	May-05 (ICT) Jun-05
ITN issued	Feb-05	Jan-05	Jun-05			
Preferred bidder announced						
Financial close/LEP set up						
Start construction						
Opening of first school						
Opening of last school						

Lancs	Lewisham	Leicester	Knowsley	Leeds	Manchester	Stoke	Sunderland	Waltham Forest	STAG	Newham
Dec-04	Sep-05	Mar-05	Jan-05	Feb-05	Jun-05	Apr-05	Dec-05	Jan-05		
Jan-05	Feb-05	Mar-05	Mar-05	May-05						
Jan-05	Feb-05	May-05	Mar-05	May-05						
Apr-05	Apr-05	May-05	Jun-05	Jul-05	Jun-05 (ICT)					
Jun-05	Jun-05									

BSF Benchmarking

Why benchmarking?

The purpose of benchmarking is to seek to maintain quality data on all BSF projects so the programme can be delivered as efficiently as possible. The standard model for BSF – the local education partnership (LEP) – provides exclusivity to the private sector partner over future BSF works. Shorn of competition, to show value for money (VFM), whilst securing the benefits of a long term strategic partnership, there needs to be an objective and transparent demonstration of cost and quality. Therefore, "benchmarking is the price of exclusivity".

What is benchmarked?

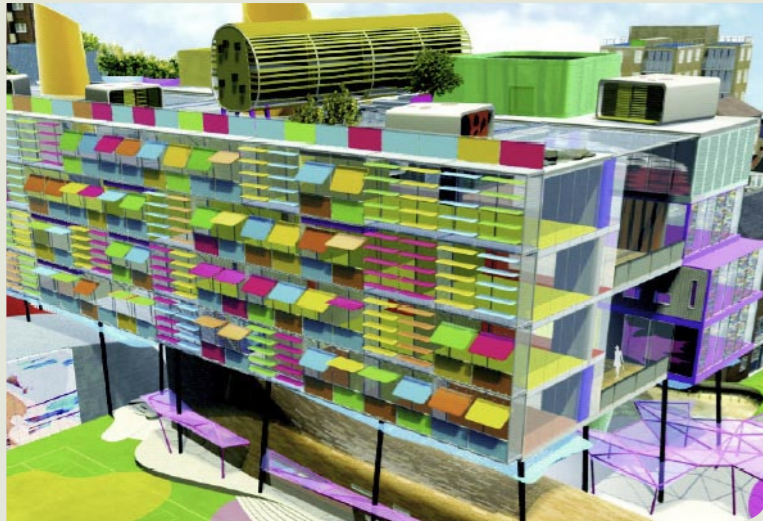
Predominantly, to ensure vfm and efficiency targets, we are interested in knowing cost – eg whether the prices being offered by the PSP are competitive and taking on board latest improvements in supply chain management. However, as PFS also seeks to ensure the dissemination of best practice and encourage knowledge sharing and continuous improvement, we also benchmark performance and quality. Vfm is a balance between cost and quality so the benchmarking system is not about driving down solutions to the lowest cost denominator at the expense of quality. We are interested in showing how well one LEP is performing against another across a set of KPI including quality of service, facilities, ICT innovation and design.

Who makes the decision on vfm?

Based on the cost and performance benchmarking evidence collated and analysed by PFS, it is for the local authority (LA) to decide on whether it is receiving vfm from the schemes developed by its LEP partner and to request improvements in areas where the LEP is falling behind. If the LEP is poor performing on price and quality the LA reserves the right to look elsewhere on a particular project and, ultimately, to terminate the PSP and seek a new partner.

When will the BPM system be up and running?

It is presently in development and procurement and will be populated with data from the sample group by March 2006. At this point, it will be possible to start adding data from other BSF projects with a view to the first project benchmarking taking place in March 2007.



Evolution of the Programme

A year into the programme and much has already changed. BSF is a long term programme and we expect to continuously learn lessons and, through the joint venture partnership, push the boundaries of public private provision in full knowledge that pace of change will differ between Authorities. It is however important for all involved to bear in mind that the programme is evolving, and that there are inevitable overlaps between the evolution and its reflection in the programme. As a result, projects may be in procurement, reflecting an earlier stage of development than is then applied to new projects. For example, the pathfinder projects were prioritised in advance of the programme being developed. As such:

- Little work had been done on formulating what was expected from estate wide education transformation;
- They were generally experienced PFI Authorities; and
- The funding parameters of the programme had yet to be set.

Our Commercial Team have worked very closely with the two most advanced pathfinder schemes, Bristol and Bradford, in formulating the standard documentation. This has now been finalised and will remain unchanged until Wave 2 when lessons should have been learnt from Wave 1 bids.

Wave 1 Authorities were selected using a combination

of the programme prioritisation criteria based on need and attainment, and delivery capacity. Work on challenging the Education Vision was outsourced to Capita as PFS had not yet recruited an Education Team.

Wave 2 Authorities were prioritised solely on deprivation and performance criteria.

A full strength Education Team has now been proactively working with Wave 2 Authorities since the beginning of the year to help formulate their Education Visions, including making sure ICT is fully integrated. This has reinforced the drive to emphasise capital investment as an enabler to improving educational outcomes.

So, as a result, the aspirations for Wave 2 might appear to jump ahead of the reality of what bidders are experiencing with pathfinders and Wave 1s, but this only really reflects the different starting points of different waves and how the programme is evolving. We recognise that this can send confusing signals to the private sector on what is expected of them, but is inherent in creating and evolving a new market, where messages that capture lessons learned will continue to be signalled until steady state is achieved. To illustrate the point further, areas that we have already identified where lessons are likely to need to be learnt in future include school design, early client preparedness, insurance, and modular and offsite construction efficiencies.

Much has been made of the significant opportunity for funders, both equity and senior debt, that BSF represents. But just how real is it, and what does innovation in funding mean?

Added value

Innovation in funding will mean developing ways of offering better value than has gone before. The value that can be created from the long term programme is very much at the heart of the objectives of BSF.

With over £1 billion of PFI funding going into BSF schemes annually there is a real opportunity for the funding communities to come forward and demonstrate real additional value for the programme.

BSF funding represents the first real chance in a long while for some innovative thought. How best to fund building periods of up to five years? Is it right to finance each tranche individually or is there a better way? The capital markets could be at the centre of many approaches as we move forward and that will require some new ideas.

This is why we are placing considerable emphasis on funding solutions in the bid requirements. We do place great store on the deliverability of the funding solution and the way it has been dovetailed into the overall offering. Hence, we have required funders' due diligence to be clearly underway as part of the ITN process as well as requiring more than the token presence of

funders in bidding meetings.

Prior to BSF, schools PFI had almost relegated the provider of most of the money to the role of a commodity broker, seen in certain circles as almost a pariah. If BSF is to succeed and a true partnership be created, that cannot continue.

So does this search for innovation extend to the LEP?

The LEP is the vehicle that will actually facilitate the ability to innovate, allow a company to provide continuity of management, modify behaviour on both sides of the public/private divide and has the exclusivity for subsequent developments – a dream partner for any capital provider.

Should PFS not dictate funding solutions?

We want to give the market the opportunity to show it can deliver real value rather than

presuming market failure. At this stage we hope and believe the market will deliver real value from funding BSF projects.

We are genuinely keen to see the market come up with innovative solutions, and are ready and able to engage centrally to discuss ideas before they are developed in great detail. We are also keen to see the financial advisers engaged locally, really seeking to add value by being an effective conduit for considering innovative ideas arising locally, and working with us to consider them in an overall programme context. However, if we do not feel the market has seized the opportunity, then it is likely that a more assertive approach to solutions will be seen.

What about requiring debt competitions or Credit Guarantee Finance (CGF)?

Debt competitions have clearly provided good value in certain PFI

projects, whilst HM Treasury has been piloting CGF as an approach which can extract value from using Government covenant. However BSF creates a completely new opportunity. We are confident that we can show that the market can deliver value through innovation and hence such approaches are only expected to form a limited part of BSF.

Conclusion

In effect, we are giving the market the opportunity to shine and really show value. But, if the value does not materialise, we will be bound to consider a more centralised approach to capturing the value, potentially through a limited number of funders, so that the innovation will come from PFS not the market.



Revision Guide

Top tips for Local Authorities

Make sure the Education

Vision and strategy is a standing item in the meetings of your policy team and policy board.

Analyse and arrange the support for change management that each of your schools will need, so that the schools' visions that underpin the BSF investment can be transformed into reality in their new school buildings.

Engage schools as fully as possible in the process – experience shows that this pays big dividends in the quality of facilities ultimately achieved.

Always take account of existing good practice and the impact of BSF developments in other local authorities.

Start stakeholder engagement early. It is important to invest time in bringing your stakeholders on board.

Involve property experts in your projects as soon as possible. Planning permission, rights of access, surveys, etc are all common causes for delay.

Work closely with all your partners especially: head teachers;

dioceses; local LSCs; children's services, social services, health services, and Connexions; and other potential joint users of schools such as leisure services, libraries and businesses.

Before procurement, meet potential bidders and discuss their aspirations and what the private sector can offer. This is an excellent way to help build a common understanding and shape the offer from both the public and private sectors.

Ensure that the client team is properly resourced and skilled – BSF procurement is complex and wide-ranging.

Sample schemes developed during the ITN period should be kept to a minimum. This will save time and money for you and the bidders, and will result in better quality designs.

Once you have selected your Preferred Bidder, both parties and PfS should work to establish a 'Shadow LEP'. If parties start to work in partnership straight away, the LEP will be fully operational and ready to deliver straight after financial close.

ICT: at the heart of BSF

ICT is one of the areas which re-enforces the message that BSF isn't simply a case of throwing up some new buildings, it is about transforming the way we educate young people. Harnessing the capability of ICT is crucial to the achievement of this transformation. Quite simply, it's not going to happen without it.

Our vision for the role of ICT within schools is that it is viewed as the "fifth utility" – integrated, simple to use, ever present and reliable. It should be a natural part of the learning environment, taken for granted to the point where it becomes almost invisible.

The benefits of getting the ICT solution right are many. For instance, a key component of a good ICT solution will be the development of a learning platform (a general term for a managed or virtual learning environment, MLE/VLE). A successful learning platform will not only deliver content to students relevant to their course but will take account of their individual learning styles, track their study, automate the assessment process and feed information into progress reports. A learning platform also removes the classroom restrictions of learning. As it is all online, pupils and teachers will be able to access the system 24/7 from wherever they want to.

There are plenty of other areas where ICT can make a difference: it can help to engage boys, many of whom are turned off by conventional learning methods; it can personalise learning – start where the youngsters are, help

with individual targeting, provide the flexibility for them to work at a pace and in a style that suits them; it can help the development of global citizenship, allowing contact with world events and the development of relationships with peers in other parts of the world, in real time.

It is safe to say that this bright vision for ICT isn't the case currently in many secondary schools, which is why BSF presents such an opportunity to make this a reality. The main challenge to the programme is to ensure that ICT is fully integrated with the school and its Education Vision from the outset – both in terms of the built environment and educational delivery.

Schools and local authorities need to undertake a detailed and honest appraisal of how ICT is currently supporting education – what's the base line? One of the big issues is the presumption within BSF that ICT will be provided as a managed service. This is a relatively new concept for the education sector, unlike the commercial sector where it is second nature, and many schools and local authorities will no doubt feel they already provide a good service managing it directly. However, these services generally do not compare with what is available in the wider world. The reasons for preferring to provide ICT as a managed service are powerful:

- This approach releases the school from the burden of procuring and managing their own ICT;
- It allows the service to be supported on an area basis – either geographically or by sector;
- It enables procurement efficiencies – economies of scale;
- It transfers the risk to the LEP and the service provider for them to worry about and be responsible for the service.



Schools need to take a good look at what they and the local authority currently provide, to test whether this will deliver that vision of ICT as the "fifth utility" i.e. so robust that schools rely on it like the other four. Moving to a managed service is not about removing the autonomy of schools or the authorities, it is about providing a solution that will enable them to supply the ICT to deliver on their Education Vision.

To this end, we are encouraging local authorities to make their Education Vision as aspirational as possible, with ICT as a core element of it. ICT should inform all aspects of the delivery of the project – it should not be seen as a bolt-on as it is integral to selecting partners and outcomes. The ICT solution will support the curriculum end of business in schools, as well as the administrative function, but the real transformation will be at curriculum end.

However, all this is theoretical. Local authorities, schools and teachers should be trying out some of the ICT initiatives that are already in place, to get a handle on just how they can transform education. This will give teachers, in particular, the opportunity to build their experience and confidence in what ICT can offer!

ICT – Some inspiring examples

For further information on ICT and e-learning, a good starting is the DfES's e-strategy (www.dfes.gov.uk/publications/e-strategy/), as well as the case studies below:

The 21st Century Classroom – Based at Broadcasting House in London, this is the BBC's attempt to explore what flexible ICT learning environments in schools might look like. Different layouts, some conventional some radical, demonstrate the different ways schools might arrange space to use ICT for learning and, in particular, make the most of digital media. Local authorities can go and spend some time in the classroom to see how the ideas work.

City Learning Centres (CLCs) – Local authorities with CLCs in their area need to start to use and engage them fully as existing experimental learning environments for ICT solutions, where ideas can be fully road tested before teachers use them themselves in the actual school.

ICTiS Pathfinder Projects – These give an insight into the benefits of an integrated ICT solution. For example:

- The Teacher's Toolkit in Warwickshire, which provides every teacher with a laptop, access to a managed learning environment, full administrative support, software and other elements such as interactive whiteboard
- The Virtual Workspace for 14-19 in Wolverhampton and Worcester, providing a highly interactive online learning and moderated social interaction space, focussed and moderated by professional educators, which is extremely popular with students.



Latest news from Pfs

The BSF Portal

This can be accessed on the home page of www.bsf.gov.uk. The portal is currently available to all those LEAs who are on the programme (Pathfinders and Wave 1,2,3). To register, or for any queries regarding the portal please call 020 7273 0001.

New Office

PfS has moved. You can now contact us at:

Partnerships for Schools
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SW1P 3AE
Tel 020 7273 0001
Fax 020 7273 0002
info@p4s.org.uk

If you would like to contact us about this newsletter, please email transformation@p4s.org.uk

Wave 3 Recruitment

With Wave 3 coming, PFS is recruiting nationally for Project Directors. We also wish to recruit Assistant Project Directors - for which we offer a comprehensive personal development programme, with a view to progression to Project Director status within an agreed time frame.

For further information contact Regional Project Directors Colin Howell (North) colin.howell@p4s.org.uk, Sal Wilson (South) sal.wilson@p4s.org.uk or Bridget Dean, HR Manager at bridget.dean@p4s.org.uk. For an application form go to www.p4s.org.uk/pfs_recruitment.htm.

New Autumn Event

As part of its conference

series, Pfs will be hosting its next event in the late autumn. This will focus on lessons learned by Pathfinders and Wave 1 bidders and authorities. We are keen to demonstrate, through the experience so far, what is best practice and trends in terms of Educational Vision, business cases and sample projects, readiness to deliver, bid evaluation, design solutions, IT integration, and commercial and legal developments. More details will be available on www.p4s.org.uk and the BSF portal in due course. Please email your interest in this event to info@p4s.org.uk.

Funding Update

The national programme team is revising the BSF funding guidance. Updates will be provided on: SEN / PRU

funding; treatment of capital receipts; abnormal funding; VAT; location factors; and PFI credit allocation. We also expect to be issuing a new Funding Allocation Model and populating it for all Wave 1-3 Authorities. These should be with Authorities in July and a more detailed explanation of some of the changes will be covered in the next newsletter.

Recent Publications

The full suite of BSF standard documents, approved by Secretary of State for Education & Skills, are now available on our website. These can be viewed at www.p4s.org.uk/StandardDocuments.htm, or at www.bsf.gov.uk. Also available on the home page of www.p4s.org.uk is our 3 year corporate plan and business plan 2005/06.

New faces at Pfs



Richard Barnes



Harry Scarff



Ann Sutcliffe

Since our spring newsletter, there have been a few new faces at Pfs: Richard Barnes, Harry Scarff and Ann Sutcliffe have joined the operations team as Project Directors. Richard is working with Lancashire, Stoke and Manchester, Harry with Lewisham, Lambeth and Islington, and Ann with Tower Hamlets, Haringey and Westminster. Joining in July is James Stuart-Mills, who will be a project director working with Leicester, Stoke and North Lincolnshire, and Bruce Harvey, on secondment from PwC, who is replacing James Dunmore in the commercial team.