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David Normington CB
Permanent Secretary

Sir Andrew Foster
1 Vincent Square
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12 March 2003

Dear Andrew

IMPROVING SCHOOL BUILDINGS: ASSET MANAGEMENT PLANNING IN LEAs AND SCHOOLS

Thank you for your letter of 19 February and the enclosed advanced copy of the above report and briefing.

We welcome this report whose conclusions provide an endorsement of our school capital investment programme and our initiative to encourage the development of asset management planning in LEAs and schools. We intend to build upon the progress made in improving the school stock in our new investment strategy, for which proposals were set out in last week's consultation paper *Building Schools for the Future*.

Regarding the specific issues mentioned in your letter, our responses are as follows:

Issues for Government

There is wide variation in the condition of individual school buildings and not enough of the capital resources are allocated according to need.

- We allocate the bulk of funding to LEAs by formula according to relative need, and they prioritise investment fairly and transparently according to the needs of their schools through the asset management planning process. PFI credits (of £850 million this year), funding for additional school places, and the smaller Targeted Capital Fund, are allocated directly to need in response to proposals and applications from LEAs. We consulted widely when devolved capital funding (DCF) for schools was introduced, and a formulaic allocation that gives schools of the same pupil numbers the same funding was seen as the fairest and simplest method. Subsequent evaluation has supported this approach. Allocating DCF according to the relative building needs of individual schools would impose an unacceptable bureaucratic burden. Formulae for DCF have

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been announced until 2005-06, allowing schools to plan their investment. In 2003-04, this programme is 18% of available funding: in 2005-06 it is under 16%. We will, however, keep under review the balance between this programme and other funding.

The expected and minimum standards for all school buildings need to be defined.

- We have set out a very clear vision of school building standards in our recent publications: *Schools for the Future – Designs for Learning Communities* and *Classrooms of the Future*. We are developing exemplar designs that we hope will reflect this vision and set new standards in the design of school buildings, which will provide excellent facilities for our children, teachers and for local communities. To support the delivery of these standards, we have established a new cost benchmark for school buildings and have revised the DfES area guidelines.

Fragmentation of funding streams needs urgent review.

- With the exception of smaller amounts of funding targeted at achieving government targets, all schools capital can be used for investment in school buildings and grounds in line with local priorities. We are aiming further to simplify the delivery of DfES capital funding programmes. We are working with other departments and bodies such as NOF to simplify and join up other programmes which can be used for investment in school buildings.

Issues for LEAs and schools

Property services provided by nearly 50% of local authorities were unsatisfactory. Authorities need to ensure that these services are improved and concentrate more on the links between capital spending and school improvement. They also need to help schools to be more informed and confident on property issues.

Schools now control a large proportion of the revenue and capital resources for maintenance and improvement of buildings. These are differences in how effectively schools manage their building responsibilities and some schools are not spending enough from their delegated budgets on maintenance, which has contributed to a two-fold increase in school balances.

- We will continue to use our arrangements for AMP appraisal and, where appropriate, targeted intervention to lever up authorities' performance in these areas. We will also disseminate best practice and encourage networking and self-assessment amongst LEAs and schools through territorial fieldwork, publications, seminars and the internet.
- We will also work with the Audit Commission and Ofsted to see how their respective inspection processes can be used to further improve asset management in LEAs and schools.

We have developed very good working relations with Dave Barlow of the Commission

through our Schools Capital Programme Board, and will continue to work closely with him and his colleagues as we take forward our capital strategy.

John Sweeney

David Normington

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