department for
children, schools and families

Department for Children, Schools & Families

ASSET MANAGEMENT STRATEGY

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Department for Children, Schools and Families

INTRODUCTION

1. Three new Departments were set up by the Prime Minister on 28 June 2007 in the machinery of government change, replacing the Department for Education and Skills (DfES) and the Department of Trade and Industry (DTI) for the Department for Children, Schools and Families (DCSF), the Department for Innovation Universities and Skills (DIUS) and the Department for Business, Enterprise and Regulatory Reform (BERR). This report will focus on the assets and the asset management strategies of the Department for Children, Schools and Families only.

2. The Department for Children, Schools and Families (DCSF) is responsible for improving the focus on all aspects of policy affecting children and young people, as part of the Government's aim to deliver educational excellence.

3. In response to the 2004 Lyons Review on Asset Management in the public sector (*Towards better management of public sector assets*)[1] which recommended that the Government adopt a more strategic approach to the management of the public sector asset stock, the DCSF has developed an Asset Management Strategy, which outlines how it plans to use the available resources in their CSR settlement to further develop their asset base over the CSR period.

4. This document is divided into four areas and clearly sets out the Department's asset stock and its future investment plans over the CSR07. The sections are as follows:
    - Capital Stock Survey
    - Asset Disposal Plans
    - Forward Investment Plans
    - Asset Management Practices

[1] http://www.hm-treasury.gov.uk/pre_budget_report/prebud_pbr04/assoc_docs/prebud_pbr04_lyons.cfm

SECTION 1: CAPITAL STOCK SURVEY

5. The Department for Children, Schools and Families (DCSF) is committed to the Government's goal of building a competitive economy and inclusive society. This is reflected in the Department's strategic objectives which are to:

    - **DSO 1:** Secure the wellbeing and health of children and young people
    - **DSO 2:** Safeguard the young and vulnerable
    - **DSO 3:** Achieve world class standards in education
    - **DSO 4:** Close the gap in educational achievement for children from disadvantaged backgrounds
    - **DSO 5:** Ensure young people are participating and achieving their potential to 18 and beyond
    - **DSO 6:** Keep children and young people on the path to success

6. The places in which children and young people learn and the equipment which supports them, are crucial in helping the DCSF to meet its objectives and PSA targets. The Spending Review 2000 settlement started a programme of significant investment in the education and skills estates and this investment has continued in subsequent Spending Reviews. This additional funding has begun to deliver dramatic changes and improvements to the learning landscape and now the Department is also putting a greater focus on making capital investment work for all sections of the community. There are three key themes at the heart of the Department's investment strategy:

    i. **modernisation**, which will enable schools and colleges to deliver learning in the 21st century;

    ii. **personalisation**, which will ensure that learning environments are tailored to the needs of individual pupils and learners; and

    iii. **utilisation**, which will continue to contribute towards the capital costs of joined up delivery of different types of provision and services to local communities.

7. The current stock of the Department's assets as at 31st March 2007 stands at £110.7m. The breakdown of the Department's assets can be found in table 1.

Table 1: DCSF's Fixed Assets as at the 31st March 2007

Tangible Fixed Assets	Value (£m)
Land & Buildings	69.3
Plant & Machinery	0.2
IT Equipment	20.6
Vehicles	0.2
Furniture & Fittings	6.9
Sub-total	**97.2**
Intangible Fixed Assets	
Software Licences	2.4

Teachers' TV	11.1
Sub-total	**13.5**
Total Fixed Assets	
Total	**110.7**

8. As well as the Department’s centrally owned assets, the Asset Management Strategy reports on the assets owned by Ofsted, a non-ministerial Department, and all its Non Departmental Public Bodies (NDPBs). The assets of these bodies are listed in table 3 on page 11.

9. As well as the Department having its own asset base, it also provides extensive capital funding to local authorities and other bodies to help build a 21st century teaching and learning environment and to place educational institutions at the heart of their communities. The bulk of the Department’s capital allocation is spent on transforming the schools landscape with every school receiving investment each year. Capital investment in early years and youth policy has also increased substantially over the years to ensure that all educational facilities are conducive to providing a first class learning environment.

<u>Early Years and Childcare</u>

10. Around 50% of Government funded early education provision is delivered directly by local authorities. The rest is delivered by the private, voluntary and independent sectors. Supporting provision of early years learning and childcare is critical in giving children the best start in life. Tackling disadvantage at this stage can help to narrow the achievement gap in later years.

11. Capital investment since the Spending Review 2000 settlement is having a demonstrable impact, including:

    i. 644,000 new registered childcare places have been created.

    ii. A network of 107 Early Excellence Centres has been created to serve as beacons of good practice in the delivery of integrated services for young children and their families.

    iii. In disadvantaged areas, the Department’s Neighbourhood Nurseries Initiative has established over 45,000 new childcare places in 1,279 nurseries and 524 Sure Start local programmes. Forty three mini Sure Start programmes are supporting families with children up to four years old, by providing a range of high quality family support, health and childcare and education services; the majority of these programmes are now designated children’s centres.

    iv. At December 2006, the stock of registered childcare stood at more than 1.29 million places and there is now a registered place for 1 in 4 children under 8.

    v. 1,550 Children’s Centres have been designated as at October 2007 and the Department is on target to establish over 2,500 offering services to around 2.1 million children by 2008.

Assets Owned

12. Local authorities and Sure Start local programmes maintain their own asset registers. As well as the investment in the assets listed above, there will also have been investment in childcare providers in the private, voluntary and independent sector. It is the responsibility of local authorities to maintain their assets and ensure public investment is safeguarded.

Condition and Utilisation of Assets

13. Findings from a Post Occupancy Evaluation pilot have been analysed and highlight that users view their children's centre as being 'good' in terms of facilities and quality of design. Professional evaluators – architects, design professionals view the centres as at least average or satisfactory. There is no national evaluation of the condition and utilisation of other assets, although the Department would expect some local authorities, in fulfilling their new duties, to assess the sufficiency of childcare and consider the quality of physical assets. As part of the Comprehensive Spending Review process, the Department is considering how it might work with local authorities to develop a better picture of the state of early years' assets in local authorities. Further post occupancy evaluation work for phases 2 and 3 of children's centres is currently being considered. Sampling of completed projects in terms of value for money and suitability is also being considered.

Schools

14. Investing across the whole school estate continues to be vital, as the Department continues to address the remaining condition needs backlog, including directing capital funding to schools to enable them to address their own priorities.

Assets Owned

15. There are some 23,000 maintained schools in England, accommodating around 7.7 million pupils, teachers and support and administrative staff. About 3,400 of these schools are in the secondary sector, with 52% of them having sixth forms. Around 18,000 are primary schools. The balance is made up primarily of Special Schools and Pupil Referral Units. As a result, schools account for the great majority of the Department's annual capital investment. The stock of school buildings (excluding land) has an estimated like-for-like replacement cost of £130 billion.

Information and Communication Technology (ICT)

16. Government investment in ICT has significantly improved pupil and teacher access to ICT in the school. National average computer to pupil ratios in primary schools have improved from 1:17.6 in 1998 to 1:6.2 in 2006, and in secondary schools from 1:8.7 in 1998 to 1:3.6 in 2006. In 1998, only 17% of primary schools and 83% of secondary schools were connected to the Internet but by 2006, over 99% of all schools were connected. Connection speeds are increasing with 97% of primary and 99% of secondary schools connected to the Internet at broadband speeds at October 2006.

Condition of Assets

17. Only 14% of schools currently operate from buildings constructed since 1976. School buildings built between the 1950s and the 1970s usually had a design life of 30 to 35 years. Therefore, most of the school stock is already into its replacement period, increasingly expensive to maintain and operate and unsuitable for modern school use. These buildings are rarely popular or seen as community assets. Replacement or major refurbishment makes greater long-term economic sense than continual repair of life-expired assets, and enables more efficient and cost-effective operation by reducing maintenance, security and energy costs.

18. Investment since the Spending Review 2000 settlement has allowed the Department to address the massive backlog of work that needed to be done to improve the fabric of the school estate. All schools have benefited from building improvements since 1997, and all schools now receive direct capital for their building needs and the Department has initiated a large scale programme to replace or modernise secondary schools; it has supported the needs of primary schools and it has met demand for new pupil places whilst providing support for the expansion of successful schools.

19. The Department published the results of a survey of local authorities: *Better Buildings, Better Design, Better Education* which states that, "*Thousands of schools have been rebuilt or improved since 1997, in particular:*

- *1,106 new schools which includes 743 primary; 162 secondary; 26 academies; 96 special schools; 42 Pupil Referral Units and 37 new nurseries.*
- *In addition 27,000 new or improved classrooms; 6,600 new or improved laboratories; 430 new or improved sixth-form blocks; 1,200 dining or assembly halls; 2,300 new or improved kitchens;*
- *2,450 schools with better sports facilities; 11,300 poor quality temporary classrooms removed; 390 new special-needs units in mainstream schools, the last 450 schools provided with inside toilets; 4,500 schools providing extended services; 1,260 new children's centres reaching over one million children under five and 632 projects at colleges of Further Education."*

Utilisation of Assets

20. Work being done in the efficiency strand has indicated that revenue savings of £120 million could be achieved through reductions in excess surplus places. Capital programmes already contribute to such reductions, and there is scope to do more. This will be defined further as part of the Department's efficiency proposals.

Further Education

21. Whilst a proportion of the FE policy falls within the DCSF's remit, for ease of reference, all information relating to Further Education has been included in the Department for Innovation, Universities and Skills' Asset Management Strategy.

Youth Capital Fund

22. The Youth Capital Fund (YCF) was announced as part of the proposals in the Youth

Green Paper *"Youth Matters"* published in July 2005. It was launched in April 2006 and provides a discrete capital budget to be spent on what young people want. It is designed to work in tandem with the Youth Opportunity Fund.

23. The aim of the fund is to improve the provision of positive activities for young people, particularly those who are disadvantaged, in terms of more places to go and things to do. Young people should be able to benefit from a range of safe and enjoyable places to go including a wide range of sporting, cultural and recreational activities and experiences and opportunities for volunteering.

24. It is not a substitute for mainstream capital funding. The YCF provides the 150 local authority areas in England a total £26.5 million per year and can be matched by the local authority with other capital funding.

25. Arrangements for implementing the Youth Capital Fund should allow for the active involvement of young people in decisions about how the money will be spent, with particular emphasis on those who are disadvantaged. They should be involved in all aspects of planning, delivery, monitoring and the evaluation of the Youth Capital Fund. This involvement should be developed with a view to mainstreaming it into capital and asset management more generally in the local authority.

26. A report summarising the position at the first year end of the fund was published in July 2007 and provides information on the implementation of the funds by local authorities. Local authorities reported that over 650,000 young people have participated or benefited to date from the use of the funds.

Other DCSF capital

27. The remaining capital expenditure on children, young people and families services is spread over a range of programmes with Integrated Children's Systems (ICS) and secure children's home accommodation being the largest of these. Most of this money is spent through local authorities.

Integrated Children's System (ICS)

28. The Integrated Children's System (ICS) provides a conceptual framework, a practice discipline and a business process to support local children's social care practitioners and managers. It aids them in undertaking the key tasks of assessment, planning, intervention and review (APIR) when working with looked after children and children in need (as defined under section 17 of the Children Act 1989) and their families. This requires skilled use of detailed and complex information. To help practitioners record, collate, analyse and organise this information, ICS is to be supported by information technology (IT). This IT is also commonly referred to as ICS.

29. Local authorities are responsible for developing and implementing their own IT for ICS. Capital investment, in the form of the ICS capital grant, has been made available to local authorities to support their costs associated with the development and implementation of information technology needed to support the ICS. The tangible assets will be owned by local authorities, in the form of IT systems and hardware needed to support ICS.

Secure Accommodation

30. In the 1980's and 1990's significant Government money was invested in the development of new secure children's homes. In recent years, investment has been targeted on maintaining and improving the safety and security of facilities within the existing estate. Without this investment, some secure children's homes would have closed as they were no longer of a sufficient standard to meet the regulations and National Minimum Standards and the needs of the very vulnerable children accommodated in such specialised provision.

31. There are now 19 secure children's homes operating in England (as at November 2007). Seventeen of these are run by local authorities and are therefore eligible for funding from the DCSF towards the capital costs of running these homes. The remaining homes are run by an independent provider and a voluntary organisation and are not eligible for Government capital funding. In 2007-08, the secure accommodation capital budget to which local authorities might apply stood at £6.228m**.** Secure children's homes provide care and accommodation for children and young people placed by local authorities under section 25 of the Children Act 1989 for the protection of themselves or others (welfare placements), and/or care and accommodation for children and young people placed under criminal justice legislation by the Youth Justice Board (YJB).

32. They are a vital national resource for those children and young people whose welfare needs can best be met through this type of setting. These needs may relate solely to the safeguarding and promotion of their own welfare, but they may also relate to the protection of others.

DCSF's Assets

Assets Owned

33. The categories and values of tangible fixed assets held by the Department as at 31 March 2007 are shown in table 1 page 3-4 and below in table 2. The main categories in the asset base are land and buildings and IT.

Table 2: DCSF's Fixed Assets (£m)

Land & Buildings	Plant & Machinery	IT	Transport equipment	Furniture & Fittings	Total
69.3	0.2	20.6	0.2	6.9	97.2

The Estate

34. The central Department is situated in five buildings on four sites. Staff are located in three freehold properties – in Sheffield, Runcorn and Darlington – with a combined book value of £33.8 million; and in two leasehold buildings in London. The Department also owns the National College of School Leadership (NCSL) building, which is situated on the campus of Nottingham University, and is valued at £26.6 million. The European School in Abingdon, is also included in its tangible fixed

assets.

ICT

35. The Department's ICT assets are spread across the Department's main sites in London, Runcorn, Sheffield and Darlington. The assets consist of desktop facilities, equipment and cabling associated with the ICT network, and videoconferencing equipment. The Department currently has around 6,300 desktops, 2,800 laptops, 1,700 printers, and 731 Servers.

Transport

36. At the start of 07-08 the Department owned six vans and 26 cars. Two of the vans and 22 of the cars are under three years old and the rest are between three and four years old.

Condition of Assets

The Estate

37. The investment requirements for the estate have been informed by an extensive property condition survey which has identified enhancements and maintenance required. Enhancements are treated as capital expenditure. Other capital expenditure on the DCSF estate relates to the replacement of office machinery, furniture, fixtures and fittings.

38. The majority of furniture, and some fixtures and office machinery are bulk purchased and numbers are not monitored on an individual basis. They are maintained to a level that ensures that the asset life extends beyond the depreciation life cycle, recognising that it continues to be fit for purpose and meets statutory and legislative requirements.

ICT

39. A major part of the Department's capital expenditure is the cyclical replacement of existing equipment as it becomes obsolete. The Department's current level of investment in ICT (£7 million a year) allows it to maintain the capabilities of the infrastructure and systems.

40. The majority of desktop PCs and laptops are within the depreciation period and are in good condition. The overall policy on printers and photocopiers is being reviewed so some printers may be of a lower specification, but still in working order.

Transport

41. All the Department's vehicles are in good condition and tend to have a lower than average mileage.

Utilisation of Assets

The Estate

42. The Department seeks to ensure optimum utilisation of its estate and has undertaken a comprehensive review of all sites and its future requirements for accommodation as part of a wider capacity and capability review of its business, led by the Board. The Home Office will be leaving the department's Sheffield headquarters in the CSR period leading to significant under utilisation of the building. In addition, the building has also exceeded its anticipated lifetime and has become uneconomic to continue to operate and upgrade to modern standards. The department has taken the opportunity to evaluate alternatives to continuing in the existing site and concluded that VFM can best be achieved, including reductions in operating costs through moving to smaller new premises in Sheffield.

43. The Department is also vacating one of its two rented properties in London and transferring the lease to another government department. This means that its London asset base will be consolidated into a single site by the end of 2008-09.

ICT

44. Utilisation of videoconferencing assets is managed through a booking system linked to the services zone. Staff are encouraged to consider videoconferencing for meetings in preference to travelling between sites. In addition, there are a number of individual desktop video facilities available which can be linked to the main studios by the Voice & Video team. Usage of the video studios is monitored by the team and statistics provided to senior management.

45. Movement of ICT assets is monitored throughout the year and audited once a year with ad hoc spot checks.

Transport

46. A review of the car pool service was carried out and concluded that the service was under utilised and that surplus cars should be disposed of in 2007-08.

Office for Standards in Education, Children's Services and Skills (Ofsted)

47. The new Ofsted – the Office for Standards in Education, Children's Services and Skills – came into being on 1 April 2007. It is a non-ministerial government body. It brings together the wide experience of four formerly separate inspectorates. It will inspect and regulate care for children and young people, and inspect education and training for learners of all ages.

Assets Owned

48. Ofsted's fixed assets (tangible and intangible) total £1.3m. This includes £0.6m of fixtures and fittings and £0.7m relates to data communication and IT equipment including software.

Condition of Asset

49. The performance and condition of the current asset stock meets Ofsted's business needs, however, the assets held are kept under constant review to ensure they are used for the benefit of Ofsted and the services to be delivered. Assets are maintained and used in accordance with Ofsted's requirements. The assets useful

economic life is reviewed annually and even when fully depreciated, at times, Ofsted still derives some economic benefit and therefore continues to use the asset. A Physical verification exercise is carried out annually to determine existence and condition of the asset stock.

Utilisation of Assets

50. Ofsted's assets are used throughout the business to support its operational objectives. Assets are secured appropriate to the risks involved and the value of the asset.

DCSF's Non Departmental Public Bodies (NDPBs)

51. The Department has a total of 8 Non Departmental Public Bodies. These NDPBs and the value of their asset base can be found in table 3 below.

Table 3: The fixed assets held by DCSF's NDPBs as at 31 March 2007

£m	Tangible Fixed Assets	Intangible Fixed Assets	Total Fixed Assets
British Educational Communications and Technology Agency (Becta)	0.83	0.00	0.83
Children and Family Court Advisory and Support Service (CAFCASS)	6.40	0.00	6.40
11 Million (formerly the Office for the Children's Commissioner)	1.04	0.00	1.04
Partnership for Schools (PfS)	1.66	0.00	1.66
Qualifications and Curriculum Authority (QCA)	2.32	0.13	2.45
Schools Food Trust (SFT)	0.07	0.00	0.07
Training and Development Agency (TDA)	2.57	0.11	2.68
TOTAL	14.89	0.24	15.13

Note: the assets of the National College of School Leadership are owned by the Department and are included in the figures in table 1.

Condition of Assets

52. All NDPBs have reported that their assets are in good condition and fit for purpose.

Utilisation of Assets

53. NDPB's assets provide the necessary infrastructure – desk, chairs, and computers - to carry out their business effectively and efficiently. For example:

- **CAFCASS -** its main assets by value are property and IT. Cafcass is a national organisation and so requires offices in several locations in order to fulfil its objectives. Cafcass's strategy in holding its IT assets, is to provide staff with the tools with which to do their job and fulfil the primary function for which the organisation exists in safeguarding and promoting the welfare of children in family proceedings.

- **TDA -** Tangible fixed assets relate to Building refurbishments, IT assets and office equipment. Intangible assets relate to purchased computer software licences. All assets support agency programme spend**.**

SECTION 2: ASSET DISPOSAL PLAN

54. The Department is committed to contributing to the Chancellor’s target of disposing of £30 billion of public sector assets by 2010.

Identifying Potential Disposals

55. The Department undertakes strategic reviews to ensure that all disposal opportunities are identified. These reviews take account of the Department’s vision and aims, the property assets required to deliver these aims, and relationships with NDPBs and other Government Departments that may benefit from co-location with the Department. Other criteria include the fitness for purpose of the Department’s existing estate, specifically its:

    - Location;
    - current and future size of the workforce and quantity of space required;
    - quality of space including the condition and suitability of buildings and environmental/operational efficiency of facilities; and
    - flexibility of the accommodation to meet future changes in working patterns.

56. Where the review demonstrates that property assets will no longer support the operational requirements of the Department’s work, a full options appraisal is undertaken which include:

    - identification of options, e.g. refurbishment, partial release of space, outright disposal, disposal and procurement of new assets; and
    - analysis of options, including financial appraisal and cost-benefit analysis.

DCSF’s Assets

57. The Department expects to dispose of its HQ building in Sheffield, at the end of the CSR07 period or in early 2011/12. The precise timescale for the disposal of the site will be determined by the terms of a joint venture deal with the Local Authority to market the site as part of a wider regeneration initiative for the city centre and by the vacation date for the existing site. Known as Moorfoot, the site is located on the outskirts of the city centre, within the inner ring road. It comprises a 1970s, purpose-built office complex on 11 floors together with ancillary uses and 200 car parking spaces

Profile of Disposal

58. The net book value of Moorfoot at the end of 2006-07 was £18 million. In line with departmental accounting policy, this valuation reflects value in use. The intention is to put Moorfoot on the open market in 2010. A recent estimate of the net realisable value indicates the department will have a substantial impairment to account for once the decision to dispose of the property is finalised. The ultimate market value of the site will be affected by developments in the interim, for example on planning consents, and there remains a high degree of uncertainty over both the timing and value of the receipt. The Department is working in close partnership with the Local Authority, who hold the freehold on the site, to prepare a joint marketing and disposal strategy for Moorfoot in a way which optimises its open market value. We

anticipate that our interest in Moorfoot will form part of a major urban regeneration package and be advertised via the European Journal during FY 2008/09, after which we will have much greater certainty on timings and receipt values.

Smaller Disposals

59. The car and van fleet is managed in line with the Department's vehicle asset management policy. Vehicles are disposed of either at the end of 3 years or when the mileage reaches 60,000. Vans are being retained to provide the inter-site van service but the car fleet has been disposed of in 2007-08 the review of utilisation of the service. There was small excess of sale proceeds over net book value of these assets.

60. Furniture, fixtures & fittings, and office machinery are disposed of when they are no longer required for use within a building and normally beyond their depreciation life cycle. Disposals are handled either through a competitive tender exercise or a commercial disposal company and timing, particularly in London, aims to achieve the best value for money by taking account of disposal activity in the area at the time.

61. ICT assets are disposed of through a commercial company who recondition the hardware for sale to schools, charities, and private companies. While most personal computers and laptops are sold to Schools and charities, servers and larger equipment are usually sold to private companies and generate small receipts. The profile for disposal will change over the coming years as the Department consolidates its London sites and moves from Moorfoot, but it is too early to be precise about likely rates of increase in proceeds.

Ofsted

62. As a direct response to the Gershon Review and the Lyons Review recommendations, Ofsted identified the need to reduce its administrative office space, and earmarked its building and land in Preston valued at £1.3m, for disposal. This was achieved in 2006-07. Ofsted Directors will be authorised to dispose of any item which is not land or buildings (as defined) and shall follow a procedure for such disposals up to a value of £1000. Above that value, the Director of Corporate Services will decide on an appropriate course of action to dispose of such assets.

DCSF's NDPBs

63. Over the SR04 period, only CAFCASS made any notable disposals which consisted of circa £300k freehold land and buildings.

64. Over the CSR07, the only expected disposals by NDPBs relate to IT equipment that has reached the end of its normal life (which is usually 3 years).

65. As a result of QCA and TDA's forthcoming relocation during the CSR07 to Coventry and Manchester respectively, office equipment, furniture and refurbishment *may* be written off at their residual values in 2009-10 and 1010-11.

66. CAFCASS has an Estates Management Unit and an ITC Board, both of which regularly review the assets under their brief in order to ensure that these remain

effective in order to meet the organisation's primary objectives. Assets considered surplus to requirements would be disposed of under Cafcass' established disposal process.

SECTION 3: FORWARD INVESTMENT PLANS

67. The priorities for investment over the CSR period are to narrow the attainment gap in schools, raise standards across the piece and to support vulnerable children and young people to succeed, including by increasing post-16 participation. The capital investment over the CSR 07 is provided in table 4.

Table 4: DCSF capital allocations in CSR07

£m	Baseline Year	CSR07 Baselines		
	2007-08	**2008-09**	**2009-10**	**2010-11**
DCSF Capital DEL	**5,648**	**6,011**	**6,376**	**7,631**
Of which - capital grant	4,594	4,957	5,422	7,077
- supported borrowing	1,054	1,054	954	554

Early Years and Childcare

68. The Department has 1,550 designated Children's Centres as at October 2007 and it is on target to establish over 2,500 offering services to around 2.1 million children by 2008. The Department is now in Phase 3 towards its target.

Phase 3 Children's centres

69. Expenditure to local authorities is to support the building, refurbishment or extension of premises to provide an additional 1,000 children's centres.

70. The 1,000 'universal' children's centres will have lower running costs than for most of the centres rolled out during Phase 1 and Phase 2, as workforce capacity will be less. In terms of unit capital cost of centres, the unit cost is lower for Phase 3. However, the basic facilities in terms of capital investment are still required, and with what may be smaller physical interventions – i.e. less new builds, but more adaptations and refurbishments, costs are greater for this type of intervention in terms of provision outputs compared to larger new builds. Equipment and other capital needs will still be required, even if the sq m of the capital facility is less – e.g. safety and security measures, equipment required for early years provision, catering, hygiene and toilet facilities must meet regulations and standards.

Sure Start Repair/ Refurbishment/ Capital Maintenance

71. This element captures the repair/refurbishment costs of all Sure Start capital investment. This primarily relates to children's centres but will also support maintenance of other investments, such as equipment, grants to childcare providers and extended schools.

72. Expenditure is at 2.0% per annum of the amount of capital invested, with a three year time lag (as new buildings should not require this level of repairs/ maintenance). Sure Start capital budgets (2004-05: £177m; 2005-06: £385m; 2006-07: £455m; 2007-08: £531m) and the number of projects completed by year give maintenance requirements of £11m, £19m and £20m over each year of the CSR respectively. Maintenance requirements are based upon the number of completed capital projects by average total project cost per year. The average cost

is based upon the cost estimate provided by local authorities at project approval, not at project completion and total values per year requiring maintenance are therefore realistic.

Early Years: 3 and 4 year olds, and quality

73. The Department gave commitments during the passage of the Childcare Bill through Parliament that capital funding would support local authorities in meeting duties under the Act.

74. Expenditure is primarily to support the roll out of the extended free entitlement to early years provision to 15 hours and support increases in flexibility by 2010, especially in sessional Private Voluntary and Independent (PVI) settings. It is also to enable improvement to the design and layout of premises used for childcare and early learning, including disabled children, and their location to meet the needs of parents. It will also enable adaptations/ improvements to outdoor play areas and the provision of play equipment for more effective provision of Early Years Foundation Stage (EYFS) by settings and which is also sensitive to the needs of children with disabilities.

75. In addition to the extension of the entitlement, this baseline is used to support local authorities in helping providers to meet their Learning, Development and Welfare requirements under the statutory Early Years Foundation Stage, covering issues such as, learning and development, suitable premises, equipment and environment (see below for descriptions). It is also available to allow local authorities to meet their duty to provide sufficient childcare as that may require the improvement or re-location of childcare premises in the light of the sufficiency assessments that all local authorities are now under a duty to conduct.

76. In particular, the requirements focus upon:

- Learning and Development: the delivery of the early learning goals – i.e. the knowledge, skills and understanding which children should have acquired at the end of the academic year in which they reach the age of five; the educational programmes – i.e. the matters, skills and processes which are required to be taught to young children; and the assessment arrangements – i.e. for assessing young children to ascertain their achievements.

- Safety: the minimisation of hazards and the need to comply with other regulations such as building regulations, health and safety, schools premises regulations etc, along with appropriate equipment re: in case of fire, floods and other hazards.

- Space requirements: premises and equipment organised to meet the needs of children based on minimum areas, and must take account of adult carers, and children with SEN and disabilities using premises.

- Environment: focuses upon adequate ventilation and adequate natural daylight; direct access to outdoor play or exceptionally off-site arrangements.

- Food preparation: adequate equipment to provide meals; snacks and drinks; ideally fully equipped kitchen; hygienic preparation of babies' feeds.

- Toilets: 1 toilet and 1 wash hand basin for every 10 children over the age of two; normally separate toilet facilities for adults; suitable hygienic changing facilities for children who are in nappies; suitable toilet and changing facilities for children with SEN and disabilities.

77. Early years provision in communal buildings: ideally the part of the premises for early years should be for sole use of provision during hours of operation. Ideally, setting has own toilet and kitchen facilities, but where not possible, onus on provider to ensure that other users do not have negative impact on quality and safety of provision.

Schools

78. The DCSF will be investing £21.9 billion of capital in schools during the CSR07 period, 2008 to 2011. This will continue the successful balance of programmes established to modernise the learning landscape fit for 21st century teaching and learning. Over the last 10 years, there have been 1,100 brand new school buildings and 27,000 new or improved classrooms, 6,600 new or improved laboratories, 430 new or improved sixth form blocks, 1,200 dining or assembly halls, 2,450 schools with better sports facilities, 2,300 new or improved kitchens, 11,300 poor quality temporary classrooms removed and the creation of 390 new special-needs units in mainstream schools. The programmes for 2008-11 will drive this still further and faster.

79. Table 5 provides the capital investment in schools each year of the CSR07. Capital investment is made through capital grant, and for local authorities through a mix of capital grant, supported borrowing and private finance initiative credits.

Table 5: The Schools capital settlement over the CSR07

£m	CSR07 Baselines		
	2008-09	**2009-10**	**2010-11**
Schools Capital DEL	**6,669**	**7,024**	**8,235**

80. The DCSF is investing the £21.9bn schools capital in three distinct ways, firstly, direct to local authorities and schools (devolved), secondly, through expansion of its long-term programmes (strategic) and thirdly, through targeted programmes (targeted). These are discussed in turn below.

Funding for Local Authorities and Schools (Devolved programmes)

81. There is direct investment to every school to ensure that locally-decided improvements can be made to unmodernised schools, and that modernised schools are properly maintained. There will be a higher rate for schools that are unmodernised and a standard rate (50%) for those who have had 80% or more of their floor areas modernised over the last ten years. These programmes also provide investment to every area of the country to focus on national and local priorities for modernisation, access and pupil places. Funding is allocated on the basis of relative need, such as the number of modernised or unmodernised schools and pupil numbers.

82. Voluntary-aided schools continue to receive funding for the modernisation, access and pupil places programmes. Capital investment for extended services in primary schools, which was previously paid through the General Sure Start grant, is being allocated through this route for the first time in order to promote more complementary investment.

83. Most capital programmes can be used to invest in technology equipment and given its importance, there will be £837 million over three years specifically for ICT.

Long-term programmes (Strategic programmes)

84. The Department is driving its long-term, strategic programmes to modernise primary, secondary and special schools.

85. In October 2007, the Chancellor of the Exchequer and the Secretary of State for Children, Schools and Families announced that there will be an increased in investment by £750m across two years (2009-10 and 2010-11) for the new Primary Capital Programme, giving a total of £1,900m in 2008-11.

86. This addition will allow at least one extra primary school to be modernised in every local authority. It reflects the importance that the Department places on the crucial primary phase of pupils' education. The DCSF will shortly be asking local authorities to prepare strategies that will set out their long-term investment plans. As part of these strategies, local authorities will forecast how many primary and special schools will benefit in the coming three years; the initial estimate is that it should be at least 675 schools over the next three years. The addition of £750m means that the DCSF should achieve the programme's aims one year sooner, in 14 years instead of 15 years, subject to future public spending decisions.

87. The DCSF works closely with its delivery agency, the NDPB Partnerships for Schools, to ensure that it delivers 21st-Century facilities for all secondary pupils. Seventy-two local authorities are now in the Building Schools for the Future programme and the first new school, Bristol Brunel Academy, opened in September 2007.

88. The projects making up waves 1-6 have already been announced and planning is in hand for around 1,000 secondary schools, special schools and academies, with over 400 expected to be built by 2011. Partnerships for Schools is supporting authorities as they develop their projects plans and helping them engage with the private sector. Lessons are being learnt from the early projects to improve and streamline processes and to ensure that educational standards as well as good design and efficient procurement are at the heart of the programme.

89. The Department has also planned investment in one-school pathfinder projects to fulfil the commitment that every local authority not starting in Building Schools for the Future until wave 10 or after, would benefit from a new school or academy.

Targeted programmes (Targeted)

90. This funding will support government priorities in local authorities with greatest need. This will provide capital funding to support higher standards and diversity of provision including promoter projects, fresh starts, new federations and applications

for capital to expand successful and popular schools.

91. Seventy-six local authorities yet to be involved in Building Schools for the Future will share £608 million over two years – £8 million each. This investment is for them to respond to two national priorities: putting in place diploma provision for 14- to 19-year-olds, and improving poor condition buildings for children with special educational needs and disabilities.

92. There will also be resources of £150 million over two years for new school kitchens to promote healthier eating. Most local authorities and schools will be expected to use their devolved budgets to install kitchens where needed and to improve existing kitchens and dining areas to promote healthier eating. A few local authorities, however, have so many schools without kitchens that this central investment is needed to help them with the costs.

93. There will be resources of £327 million over three years to encourage local authorities and schools to develop new projects that promote standards and diversity. This will contribute to Fresh Start projects; expansions of popular and successful schools; schemes to remove an authority's excess surplus places; projects to encourage new school promoters; projects involving new trusts and federations; small works at maintained boarding facilities; music and dance scheme schools, and non-maintained special schools.

94. The Department will contribute £300 million schools capital over three years to the 16-19 Capital Fund, run by the Learning and Skills Council, which provides funding for new places for 16- to 19-year-olds. This fund totals £630 million. Pooling schools and further education capital in this way ensures that investment is available whatever the setting – school sixth-forms, sixth form centres or further education colleges.

95. Capital resources are also available to continue the specialist school and sustainable transport programmes, for Teachers TV, and to meet existing commitments, including projects from previous rounds of the Targeted Capital Fund.

<u>Youth Capital fund and Youth facilities</u>

96. As part of the CSR07 settlement, a funding package for youth was agreed and launched in *Aiming High for Young People: A Ten Year Strategy for Positive Activities* on 26 July 2007. The capital elements of this are a continuation of the Youth Capital Fund (£79.5m over 2008-11, split £26.5m/£26.5m /£26.5m) and the introduction of a further £15/15/30million capital investment over the next three years. This will help to pave the way for the reinvestment of unclaimed assets from dormant bank accounts, via the Big Lottery Fund – for which youth facilities will be the first priority. The Government's aspiration is that new DCSF investment and the reinvestment of unclaimed assets will together over the next 10 years lead to new and improved youth facilities in every constituency in England.

<u>Other DCSF capital</u>

<u>Integrated Children's System (ICS)</u>

97. 2007-08 is the final year of the specific ICS capital grant, although local authorities will be permitted to carry forward unused grant to continue with ICS implementation in 2008-09. The ICS Project is transferring to the new Children & Families Directorate IT Programme, and no decision has been made as to future investment plans for ICS.

Secure Accommodation

98. Many secure children's homes are reaching the end of their natural life and major redevelopment work is required. The DCSF and Youth Justice Board is currently looking at how best it might utilise the increased investment in the estate over the CSR period.

DCSF's Assets

The estate

99. The department will continue to invest in enhancements to the estate as indicated by condition surveys and in line with its estates strategy. The department will also follow asset replacement programmes for office machinery, furniture and fixtures and fittings as determined by asset lives and business requirements.

Children's Plan

100. The DCSF Children's Plan which was published in December 2007, sets out the Department's plans for the next ten years under each of the Department for Children, Schools and Families' strategic objectives. The following five principles underpin the plan:

- Government does not bring up children – parents do – so government needs to do more to back parents and families;
- all children have the potential to succeed and should go as far as their talents can take them;
- children and young people need to enjoy their childhood as well as grow up prepared for adult life;
- services need to be shaped by and responsive to children, young people and families, not designed around professional boundaries; and
- it is always better to prevent failure than tackle a crisis later.

Play capital spending

101. The Children's Plan saw £190m of capital funding allocated to play over the CSR07 period. This is the first time that direct funding has been provided from the DCSF for play facilities. It will allow up to 3,500 playgrounds to be rebuilt or renewed and made accessible to children with disabilities over the three-year period. It will also allow the construction of an adventure playground in each of 30 local authority play Pathfinder pilots.

Capital spending on short breaks for disabled children and their families

102. The Children's Plan set out £90m over the CSR period to support the

delivery of short breaks to disabled children and their families. This funding is being managed as part of the Aiming High for Disabled Children implementation programme and will be allocated to local authorities according to a funding formula.

103. We anticipate the funding being used for a range of purposes including adaptations to carer’s homes to enable them to provide breaks for severely disabled children, adaptations to venues such as children's centres, youth clubs and leisure centres are also expected, for example through adding equipment such as paediatric hoists which enable children to fully engage in a range of activities. We also expect some of the money to be spent on accessible vehicles to transport children to break venues and small building programmes where extra short break facilities will be added to existing venues. These should be developed as an integral part of short breaks strategy and compliment current provision.

104. In areas with larger capital allocations, local partners may also wish to create substantial building projects - for example establishing adapted property that foster-carers could use to provide overnight breaks.

SECTION 4: ACCOUNT OF ASSET MANAGEMENT PRACTICES

105. Since the 1998 Comprehensive Spending Review, there has been significant and growing capital investment in each of the sectors for which the Department is responsible. This includes substantial new investment to meet commitments set out in new policy areas, for example, the provision of 3,500 children's centres to provide a range of childcare, health and family support in every community by 2010, and also substantial new investment to transform the current school estate, for example, through Building Schools for the Future.

106. The increases in capital investment since 1998 have underpinned a variety of the DCSF policies to bring about improvements in outcomes for children and learners. For example, the investment in children's centres supported the 1.25 million new registered childcare places created by the end of 2005. By the end of 2007, 83 academies were open, and £1.9billion is being spent on new or refurbished buildings for those academies, which have replaced failing schools in areas of low educational standards and high deprivation and disadvantage.

107. Working with its partners, the DCSF aim to ensure capital investment represents good value for money, provides long-lasting buildings and procures and builds efficiently. As the Department works with a wide range of stakeholders across different sectors and does not own the assets itself, it follows that the approaches to managing these assets are not uniform. While the DCSF is making progress towards understanding how different bodies manage both the investment and the resulting asset, in some cases, e.g. local authority investment delivered through the Single Capital Pot, the Department's policy is to let the investing and investment accountability reside at the local level. In other cases, for example, in the DCSF capital investment in children's centres, the DCSF investment is only an element of an overall investment package, and it is difficult to extrapolate the impact and outcomes of the Department's contribution from the total investment.

108. The main sectors of the Department's business all have considerable assets. In the case of schools, around two-thirds of these assets are held by local authorities, the other third comprising voluntary and foundation schools and Academies, which all own their own land and buildings. A considerable amount of capital investment in children's services also contributes towards assets held by local authorities, although some grants are also given to private or voluntary sector organisations. As a result, the Department's own balance sheet is very modest at around £97 million of fixed assets.

109. The Department continues to build and develop its strategy for capital investment: its priorities, its impacts and its future needs. This reflects the huge task of addressing the historic backlog of under investment. The DCSFs new strategic programmes for primary, secondary and further education are now beginning to deliver a transformation in the learning and skills and children's services physical landscape. These will provide a model for how government investment will develop as the 15- to 20-year strategic and transformational programmes roll out.

110. The DCSF recognise that the Comprehensive Spending Review 2007 will reinforce the Department's strategic approach to capital investment decisions. This approach will take forward the recommendations of the Lyons Review of Asset Management and as part of the process the DCSF strives for a more complete

assessment of the condition and management of the asset stock of the Department, its non-Departmental public bodies and its sector, in order to inform future investment decisions.

111. The Department recognises that asset management and capital investment will need to continue to improve to deliver the Government's ambitious agenda. The priorities for improvement in the coming three years are:

- focusing on co-location of services, as set out in the Children's Plan
- testing the feasibility of integrated capital delivery across the DCSF's programmes for 0- to 19-year-olds
- encouraging better long-term strategic planning of capital investment, linked to the delivery of services to children, young people and families
- embedding excellent, sustainable design
- working with local government and schools to ensure that buildings, once modernised, are maintained properly
- building local capacity and skills to lead, plan and deliver.

Early Years and Childcare

112. Investment in Sure Start is by far the largest element of capital investment in children's services. Since the establishment of the National Childcare Strategy in 1997, a significant amount of capital funding has been made available to develop early years and childcare services (in particular children's centres). The investment is targeted to provide facilities that are suitable for children's services as traditionally these services have been delivered from accommodation that is not purpose built, e.g. church halls and community venues.

113. Investment decisions are thus taken in the context of:

- targeting the most disadvantaged areas first;
- providing premises for children's services which are fit for purpose and suitable; and
- adapting and updating existing children's social services estates where, with investment to update and upgrade, existing premises can be used as children's centres.

Robust Corporate Governance

114. The General Sure Start Grant is paid as a grant to local authorities. The conditions of the grant are laid out in the memorandum of grant issued annually; this is supported by capital guidance and information. Information sets out the expectations, roles and responsibilities of local authorities. This stipulates that local authorities must keep asset registers and that capital assets should continue to be used for the purpose of grant.

115. Local authorities are required to submit detailed information about capital projects on a web portal. This information is used to track progress and delivery of children's centre capital projects and capital investment into extended schools services and maintaining a sustainable childcare market. Both local authorities and DCSF officials maintain data.

116. Currently, capital projects above £150,000 are assessed by the DCSF's

professional architectural advisers for suitability for purpose. As a result of an internal review of processes, local authorities are responsible for value for money decisions and this is no longer formally assessed. Decisions on children's centres approval are made by DCSF officials.

117. The investment is also monitored on an informal basis through the use of dissemination of case studies, in terms of value for money and fitness for purpose of resulting buildings and facilities, and through pilot Post Occupancy Evaluation (POE) studies.

Roles and Responsibilities

118. The Department has responsibility for strategy, overall funding and policy on the delivery of Sure Start, extended schools and childcare services. Policy teams, including the Capital Strategy Team and other teams within the Children's Centres and Extended Schools Division work with contractors, including its delivery partner, Together for Children, to support and advise local authorities on the development of services and delivery of capital programmes. The Capital Strategy Team is the main point of contact for capital and funding-related issues concerning Departmental early years capital policies. The Department (through the Capital Strategy Team) also has ultimate responsibility for approving local authorities' children's centres capital projects and the release of funding.

119. Local authorities have the lead role in delivering the Government's vision for the future of extended schools, early years and childcare services. This includes ensuring the successful delivery of capital programmes. Local authorities are expected to carry out an audit of existing provision, including that built through previous capital programmes, and identify where new or improvements to buildings need to be made to deliver the ten-year strategy. This includes ensuring that partners in the private, voluntary, independent sector are engaged with the strategy and benefit from funding available. Local authorities should have dedicated teams assigned to work on the delivery of early years, childcare and extended school services within that authority and take responsibility for the day-to-day management of capital projects and rollout of services.

120. Providers are key stakeholders in ten-year strategy for childcare. Early years and childcare managers and practitioners in the private, voluntary and independent sector, governors and head teachers, work with their local authority and families to help shape the delivery of services. This includes identifying barriers, developing plans for their particular provision and ensuring services are responses to need. The structure of local consultation, collaboration, decision-making, investment strategies and the patterns of services will vary from one local authority area to another.

Investment Appraisal

121. The Department monitors the impact of capital investment on a formal basis through the use of a web portal to track progress and maintain data relating to children's centre capital projects, both new build and refurbishment/re-designation projects. The portal also contains data on other General Sure Start Grant main capital not relating to children's centres including investment and outputs relating to extended schools and creation of assets. Data is maintained by both local authorities and the Department.

122. The Department has also carried out a Post Occupancy Evaluation (POE) pilot to gather users' perceptions of service quality and to assess whole life-cycle costs. This work is small scale and maintenance costs, periodic refurbishment and replacement are not currently accounted for across the whole programme. This is in part due to designated children's centres tending, in many cases, to have been funded initially by sources other than the Department. From 2008 onwards, maintenance costs will be included in children's centres allocations.

123. The Department manages Sure Start assets using a range of tools, including the web portal, POE, cost review data and dissemination of good practice and case studies. It is not always possible to capture the asset value over a specific time period or to set out for local authorities what their asset management strategy ought to be, particularly where the DCSF investment is not the majority element. However, the Department is actively working with its local partners in the voluntary and community sector and local authorities to encourage efficient and effective procurement of children's centres, and the Department has adapted its policy, as shown above, to focus on reusing and upgrading existing estate where to do so would be cheaper and as effective as new investment.

Maintenance of Assets

124. The Department has not provided discrete funding for maintenance, given the investment in new buildings. However, as the age of the stock increases, it will be important to provide funding to cover maintenance. It is for local authorities to ensure the assets are in a suitable condition for delivering services and provide appropriate levels of maintenance. As part of considerations on the Comprehensive Spending Review, the DCSF are discussing with the Secretary of State ways in which it could help local authorities to think about their capital investment, including renewal and maintenance, in a more strategic way.

Utilisation of Assets

125. Across all programmes funds have and will continue to be joined together to support the creation of multi-purpose buildings that support a full range services i.e. family support, health, childcare, information and advice. Investment has and will continue to support services in the statutory, private and voluntary sector.

Wider Market Activity

126. Many Sure Start Local Programmes were combined with wider regeneration projects, to transform communities, and so will have facilities for community and commercial use. However, given the location of children's centres in Phase 1 and 2 in the most disadvantaged areas, the extent of commercial activities will be limited. The Department is analysing data on the proportion of centres where there has been investment in wider facilities where possible, such as leisure centres, but this is limited and there will be no data on usage or revenue generation. There are examples of centres hiring out meeting rooms and spaces on a commercial basis but also at nominal rates for wider community usage.

127. Investment in private and voluntary childcare providers will, by its very nature, have generated wider market opportunities. Community use is a core part of the extended school offer and DCSF guidance encourages school to charge for

commercial use of their premises.

Schools

128. With around 23,000 schools, this sector is the most significant in terms of number and value of assets, both in terms of maintenance costs and investment. The Department is working with local authorities and schools to provide:

a) flexible investment that provides sufficient funding, through devolved formula capital, basic need and modernisation, for maintaining the existing school estate; this is on top of revenue spent on maintenance;

b) targeted, sometimes bid-based capital investment to drive specific government priorities or to respond to exceptional local needs; and,

c) long-term, transformational investment programmes such as Building Schools for the Future, Academies, and the primary capital programmes.

Robust Corporate Governance

129. Schools capital investment is managed within the DCSF through a well-developed and robust governance structure. This covers all schools capital programmes and, in the context of Building Schools for the Future, has been subject to formal Office of Government Commerce (OGC) gateway review. The key elements are: clear accountability with the Director of Capital and Academies as the Senior Responsible Officer and the Deputy Director of Schools Capital as the programme manager; a framework of strategy; programme and risk boards; and a clear financial advice and challenge role located in Schools Capital Division for the whole of Schools Directorate.

130. *Partnerships for Schools* is the non-Departmental public body set up to deliver Building Schools for the Future (BSF) and academies. It is managed and financed through a unique joint venture agreement between the Department and Partnerships UK. This too has been the subject of formal OGC gateway review.

Responsibility and Accountability

131. Responsibility and accountability is shared throughout the system. While the DCSF has the responsibility for allocation of national funding, it is local authorities that, in the main, have responsibility for planning, procurement and spend of capital investment. Increasingly, schools themselves are responsible for significant investment.

132. Strategic capital investment in Building Schools for the Future is usually deployed through a Local Education Partnership, a joint-venture company comprising the local authority, *Partnerships for Schools* and private sector partner. The Local Education Partnership works to the local authority's requirements, which will have been agreed with the schools involved. Schools are involved in the development of the local authority's Strategy for Change; this is owned by the local authority but further developed with the Local Education Partnership's Strategic Partnering Board (a wide-ranging stakeholder group that includes governor and head teacher representatives). The Local Education Partnership will work very

closely with the Strategic Partnering Board in order to understand client and stakeholder requirements, to provide informed input to the Strategy for Change and to present new project proposals and receive feedback.

133. The Department publishes guidance on a wide range of design issues to assist authorities and schools in setting standards, assessing their premises and identifying the need for investment. The guidance supports project teams in the design of new schools, adaptations and extensions to existing schools.

Investment Appraisal

134. Schools are encouraged, through Department and local authority-produced guidance, to implement robust and transparent asset management planning processes. Such processes help to facilitate cooperation between authorities, schools and local partners over asset management and the coordinated use of capital and revenue budgets.

135. In the past, the Department has encouraged and supported local authorities in compiling and maintaining systematic and consistent assessments of the sufficiency, suitability and condition of school premises. The DCSF collect a sub-set of data from these assessments and provide analysis to support authorities in benchmarking and use of their data. Where it has doubts about the quality of the data, appraisals are commissioned. Authorities receive reports on the strengths and weaknesses of their assessment processes and are encouraged to address weaknesses. Where the DCSF are reasonably confident that the data are reliable, they have been used in the past to inform the needs-based components of Modernisation allocations.

136. To improve the DCSF monitoring and evaluation of the schools capital programme, new evaluation programmes have been introduced to inform whether these new buildings have had an effect on, for example, attendance, staff retention or pupil attainment. The DCSF intend to better further its internal systems to track key performance indicators that underpin its CSR programmes.

Maintenance of Assets

137. Whilst the DCSF does not directly own or manage school assets, it does provide funding for the maintenance of school buildings through revenue and capital programmes, and guidance to local authorities and schools on asset planning and the use of capital funding.

138. There is no benchmark of the optimum level of maintenance of school buildings. Estimates of the maintenance requirements of the existing school estate to prevent decay (based on like-for-like replacement costs and analysis of asset management planning data) are from £2 - £3 billion a year, plus a total of up to £2 billion to address backlog which is still to be tackled.

139. Consistent Financial Reporting shows that schools spend £1.5 billion a year (2004-05) of revenue on buildings and ground maintenance and cleaning. Additionally, capital funding is provided to schools and local authorities to improve and maintain the school estate. Of the total capital allocations of £5.9 billion in 2006-07, about £2.5 billion is allocated by formula to schools and authorities for local needs. It is a local decision how the bulk of this money is invested, and the

Department does not collect details of this from authorities. Whether maintenance expenditure is charged to revenue or capital budgets will depend on local interpretation of Chartered Institute of Public Finance and Accountancy (CIPFA) standards in setting de minimis levels.

140. Research into the use of schools' devolved formula capital (carried out for the Department by PricewaterhouseCoopers) suggests that in 2005-06, schools spent £75 million on window, roof and their external repairs and on health and safety needs (from a total spend of £661 million from an allocation of £800 million). Unfortunately, it is not possible from the data collected to know how much other spend also addressed maintenance needs, either directly or in the course of improvement works.

141. All authorities are expected to maintain asset management plans which prioritise the needs of their schools in an open, rigorous and consultative process based on a survey of the needs of all schools. Schools themselves should have school development plans which include the improvement of their buildings. The Department issues detailed guidance to authorities on asset planning. Guidance to schools on the user of their capital funding includes longer term good estate management considerations.

142. Additionally, major strategic and targeted programmes aim to renew the school estate to higher sustainability standards. These include Building Schools for the Future, and from 2008-09, the Primary Capital Programme. However, as these programmes aim to rebuild or completely remodel the majority of schools, it should be noticed that in the years immediately before entering the programme, schools may be under-maintained with the exception of health and safety needs, in order to avoid abortive expenditure.

Utilisation of Assets

143. The Department monitors the number of surplus places in local authorities through an annual survey. This highlights the number of schools in each local authority that have at least 30 surplus places and 25% or more surplus. In line with the recommendations in the Audit Commission's Trading Places report, the Department encourages local authorities to take action to remove surplus in these schools and reinvest any capital savings back into local education provision. Action to remove this surplus could include closure of some schools and eventual disposal of the premises.

144. Local authority's progress in removing surplus places is monitored by the DCSF Children's Services Advisers. They provide challenge, advice and guidance to Directors of Children and Learners as they implement strategies to tackle their surplus places. Many surplus place removal schemes can be self-financing, e.g. through prudential borrowing, or from the capital receipts generated, but major DCSF programmes such as Building Schools for the Future and the Primary Capital Programme will also drive local authorities and schools to plan places strategically over the long-term and ensure that there are the right schools or the right size in the right place.

Wider Market Activity

145. Departmental guidance to schools is that they should charge communities

and commercial operators for using their facilities. The DCSF expect that schools will take a differentiated approach to charging – covering costs for non-commercial providers and seeking to generate income from individuals or commercial operators.

146. There will be a range of usage – such as for meetings, activity classes or social gatherings. Through Consistent Financial Reporting, it has an income code which relates to income from facilities and services. However, this code is very broad containing all sorts of different things including income from before and after school clubs, income from community activities and income from assets such as the hire of premises, equipment or other facilities. It also includes things such as interest from school bank accounts, income from sale of uniforms, income from vending machines and so on. The DCSF are looking at whether it can analyse this data for meaningful information on wider market activities relating to facilities use.

Youth Capital fund and Youth Facilities

147. The Department is looking to transform activities and support services for young people over the next 10 years. *Aiming High for Young People: a ten year strategy for positive activities,* published on 26 July 2007 announced continued investment in the Youth Capital Fund (YCF) and a new programme of capital investment in youth facilities based on DCSF funding and the reinvestment of unclaimed assets .

Robust Corporate Governance

148. The Youth Capital Fund is paid as a grant to local authorities. The conditions of the grant and guidance are laid out in the DCSF Local Authority Circular (SC06_2). These make it clear that decisions on the use of the funding must be made by young people. Separate guidance on the funds was also issued in March 2006 together with the allocations. This guidance states that: any capital assets secured through the funds should continue to be used for the purpose of the funds (the circular lays out conditions for the disposal of the assets where this ceases to be so); and local authorities should also consider the use of the funds in the context of their overarching arrangements for managing capital and the ongoing cost of the use of the projects as part of their forward planning.

149. The government is still deciding the exact method for allocating the additional monies for youth facilities.

Responsibility and Accountability

150. Government Offices are responsible for the day-to-day contract management of the use of the Youth Capital Fund by local authorities, against the conditions set out in the Local Authority Circular (SC06_2) and guidance which includes the return of management information at six-monthly intervals. The DCSF budget delegation letters to regional Directors cover the Youth Capital Fund which contain conditions for the use of the funds.

151. It is yet to be agreed how precisely the additional capital funding for youth facilities will be managed. Subject to legislation, unclaimed assets will be distributed by the BIG lottery Fund. The DCSF will lead on developing and issuing

spending directions, within the context of a cross-Government working group. The DCSF Permanent Secretary will therefore act as Accounting Office for all unclaimed assets investment.

Investment Appraisal

152. The Youth Capital Fund represents part of an innovative new approach to the delivery of positive activities for young people and to empowering young people to have more choice and influence over the services available to them. Decisions on the how the funding should be used must be made by young people. The Youth Capital Fund and it's sister revenue stream the Youth Opportunity Funds should work in tandem so that young people can make decisions on funding activities and facilities combining both streams.

153. Whilst there are robust arrangements in place to evaluate the use of the Youth Capital Funds, it is too early to give any definitive information on impact. A robust evaluation strategy is in place and the National Foundation for Educational Research (NFER) have been appointed to carry out an evaluation on the use and impact of the funds, including on issues of VfM. The initial phase of the national evaluation (reported July 2007) concentrated on the set up of the use of the funds and the structures to enable decision making by young people. Management Information (MI) available from the first year of the Fund (2006-07) included the numbers and characteristics of young people involved, but was limited due to the relatively long lead-in time required for capital investment. The mid-year MI for the second year (2007-08) available from the end of November 2007 and together with the final evaluation report due for dissemination in May 2008 will present a fuller picture both of the types and value of assets purchased through the scheme, as well as important information about the process of devolving spending power to young people. This will inform future capital investment strategies for the youth sector including plan for a possible £100-200million further investment from the unclaimed monies currently residing in bank accounts[2].

Maintenance of Assets

154. Local authorities are responsible for ensuring that capital assets purchased from the Youth Capital Fund remain available to young people in line with the original proposal for funding. Local Authority Circular LAC(SC06_2)) and March 2006 guidance sets out the position for local authorities in terms of conditions for the Youth Capital Fund and the requirement around disposal and should the capital assets cease to be used as planned.

155. As part of the terms of conditions of the grant, local authorities are informed that the Secretary of State may recover the full market value of any assets purchased, net of any costs of disposal, if applicable, if those assets are disposed of or cease to be used for the provision of those services for which the grant is made. The full market value shall be determined by the Secretary of State, as being the value of the assets at the time the assets ceased to be used for the provision of those services for which the grant is made, or, if disposed of, at the date of disposal.

Utilisation of Assets

[2] See HMT consultation launched May 2007.

156. The principle behind the use of the Youth Capital Fund offers an opportunity for the better utilisation of existing assets/estate. Much of the existing estate for young people is old and dilapidated - this is widely recognised and is a key reason given by young people for not engaging in the activities currently on offer. By using the Youth Capital Fund, young people can decide how to redesign and re-equip provision in their local areas so that it becomes something they want to use. There is no minimum or maximum spend criteria although evidence suggests that individual investments have been fairly modest ranging from £15k to £150k with an average of just £30k from within an average annual local allocation of £200k. It is envisaged, but has yet to be decided, that the average investment from within the new funds will be skewed towards the upper end of the Youth Capital Fund range.

157. The new duty on local authorities to provide and promote positive activities for their young people came into force in January 2007 and by April 2008, there should be clearer picture of the existing youth estate – whether that be local authority, private or Voluntary Control Schools (VCS) maintained.

Wider Market Activity

158. The Youth Capital Fund provides the capital element of projects young people say they want. Local authorities and their partners can opt to build new facilities or modify/extend existing public buildings to develop multi-functional use. Where facilities are housed in existing public buildings, they may be open to all age groups.

Other DCSF Capital

Robust Corporate Governance

Integrated Children's System (ICS)

159. The approval of ICS grant totals, distribution arrangements and conditions is given by the Secretary of State and Ministers. Responsibility for grant is delegated to a senior official as Budget Manager. Payment of grant, reconciliation and monitoring of local authority expenditure is managed by Departmental officials. At local authority level governance of ICS is carried out by Chief Executives, Directors of Children's Services, Directors of Finance and Local ICS Implementation Teams. Local authority Chief Finance Officers are required to sign-off their authorities' annual final statement certificates which confirm their expenditure of grant.

Secure Accommodation

160. All bids for funding from local authorities who are responsible for managing a secure children's home are assessed by Departmental officials, the Commission for Social Care Inspection and the Department's professional specialist architectural adviser. Decisions on approval (both initial and final) are made by Ministers. Larger schemes are also subject to the local authority's tendering processes - and the governance arrangements surrounding these. Small schemes may be approved on the basis of estimates subject to a local authority's internal governance. The grant award letter makes clear that the funding can only be spent on the scheme approved by Ministers.

Responsibility and Accountability

Integrated Children's System (ICS)

161. All authorities are required to return completed annual final statement certificates on their grant expenditure, for monitoring purposes. The Audit Commission will check local authorities' grant expenditure once the project phase is completed and the DCSF will follow up any discrepancies, or misuse. The DCSF has reserved the right to recover the full market value of any assets purchased if those assets are disposed of or cease to be used for the provision of those services for which the grant is being made. Unspent grant will be required to be returned to the DCSF.

Secure Accommodation

162. All schemes are closely monitored by the Commission for Social Care Inspection and the DCSF' professional architectural adviser, and the works are inspected prior to use. All grants are made under Section 82(2) of the Children Act 1989: Section 82(3) of that Act provides that the Secretary of State may require the authority to repay the grant, in whole or in part, if it is not used for the purpose for which it was made or the accommodation is not used as, or ceases to be used as, secure accommodation.

Investment Appraisal

Integrated Children's System (ICS)

163. The implementation of the ICS in all authorities is measured through monitoring and review of progress towards delivery. The overall aim of ICS - the improvement in the five ECM outcomes for Looked After Children and Children in Need and their families - will be measured in the longer term through the performance of children's social care services as judged through the Area Performance Assessment and Joint Area Review processes and related performance indicators.

Secure Accommodation

164. The Department monitors the impact of its capital investment through receipt of invoices against anticipated expenditure and also through feedback from its specialist architectural adviser and the Commission for Social Care Inspection who visit the homes and inspect the work. All approved schemes must comply with the Secure Children's Homes Design Guide. All secure children's homes are regulated and inspected by the Commission for Social Care Inspection to ensure they meet the statutory requirements and National Minimum Standards.

Maintenance & Utilisation of Assets

Integrated Children's System (ICS)

165. All local ICS IT systems must meet the formal business requirements issued by the Department in order to be assessed as compliant. Authorities will need to

ensure that their systems will be 'future-proofed' in order that they can be upgraded to meet any future requirements (for example, changes to meet new reporting requirements). As described at paragraph 158 above, the Secretary of State may recover the full market value of any assets purchased, net of any costs of disposal if applicable, if those assets are disposed of or cease to be used for the provision of those services for which the grant is made.

Secure Accommodation

166. Many secure children's homes are reaching the end of their natural life and major redevelopment work is required. The future of secure children's homes needs to be considered within a wider review of the longer term demand by local authorities for secure welfare placements. The review also needs to consider whether those secure children's homes currently under threat/temporarily closed will close on a permanent basis. The review will be carried out in consultation with the Youth Justice Board as they commission placements from some of these homes.

Wider Market Activity

Secure Accommodation

167. There has been a marked decline in the number of secure homes in the past three years. The secure children's homes market is volatile because it involves small numbers of very high cost placements and the demand for beds is unpredictable. The Commissioning and Market Development team within the DCSF have recently commissioned Deloitte to carry out survey of local authorities to try and establish more clearly what future demand for welfare beds might be and what steps might be taken to stabilise the market. This report will be finalised in February 2008 and should contribute to the DCSF future strategy for capital investment in the secure estate.

DCSF's Assets

168. The Department takes a highly proactive approach in optimising the utilisation of its property assets and has developed close partnerships with Home Office and DWP (who share the DCSF buildings) to align its property strategy and investment plans with its corporate HR and business strategies, to provide the best overall value . A detailed strategic review of the DCSF property assets, involving these partners and specialist advisors, has led to decisions to dispose of old under performing assets across the estate. In particular, it has recently been agreed to transfer one of its two London HQ buildings to DWP, and the Departmental Board has approved the proposal for moving into a new site in Sheffield.

169. The Department continually seeks to invest in new ways of developing the workspace to improve the efficiency of its buildings and create an environment that supports organisational and business change. The DCSF is currently evaluating a pilot for a flexible workspace which will provide the basis for a new Estate Strategy. The planned surplus capacity that would be achieved through implementation of flexible workspace environments has enabled the DCSF to work with Home Office in all of the DCSF's other buildings (Runcorn, Darlington and Sheffield) to help meet their Lyons relocation plans.

170. In Sheffield, the DCSF and the Home Office recently led a joint review of the Government estate, which was held by OGC as an example of good practice in property asset management. The Department has shared this good practice with other Government Departments through National School of Government training events.

171. Smaller ICT and non-ICT assets are replaced in line with Departmental investment strategies and replacement cycles, and with due consideration of the environmental impact, Departmental accounting procedures and health and safety legislation.

Robust Corporate Governance

172. The Board recognise the importance of robust corporate governance and effective strategic planning in making best value investment decisions. The DCSF organisational structure has recently been modified to bring all corporate areas with asset management responsibility within one Directorate, headed by a qualified accountant. DCSF Estates, ICT, Finance, HR and Procurement Divisions recently prepared a new corporate estates strategy for the DCSF which should lead to a higher utilisation of space, improvements to energy efficiency and sustainability footprint, and a better working environment which utilises the latest ICT and building technology to support DCSF business.

Responsibility and Accountability

173. Asset management responsibility sits within the Corporate Services Directorate under a Director General who is a qualified accountant. While overall responsibility remains with the DG, the asset management tasks are delegated to staff within the Directorate. Management of estates, vehicles and non-ICT assets is undertaken by the Facilities Management Division, while ICT assets are within the remit of the Chief Information Officer and his staff. Monitoring of depreciation and the costs of revaluation has been centralised within the Corporate Services Team with support from the asset team within Finance.

Investment Appraisal

174. The provision of accommodation, furniture and other non-ICT office equipment is informed by the DCSF estates strategy and asset replacement cycle, including the property condition survey which was completed during October/November 2003. The move to full Resource Accounting Budgets (RAB) has also resulted in a review of asset management procedures and the entries in the National Asset Register. This will influence future calculations for Cost of Capital and Depreciation. The recent DCSF estates strategy review considered 14 separate options to optimise the use and asset value of its estate over a 20 year period. Each option was subjected to full investment appraisal, with the final 6 most viable options subject to both economic and financial appraisal to Green Book accounting standards. This was shared with the OGC property co-ordination team to ensure best practice. As a result of this detailed approach to investment appraisal, the DCSF Board were able to make fully informed decisions on the financial and business impact of future decisions on the location of the Department and asset investment requirements. This has led to a position for the first time where its asset management plans and corporate funding strategy are fully aligned.

175. All investments in ICT are supported by business cases which include cost benefit analysis information. All major ICT projects are controlled through formal project boards run under PRINCE methodology, and post implementation reviews are undertaken using criteria identified at the beginning of the project.

176. The DCSF take a rigorous approach to securing value for money in all procurements, with dedicated and Chartered Institute of Purchasing and Supply (CIPS) qualified procurement staff supporting the Departments own technical experts on all major asset procurements. Where appropriate, it also makes use of external technical specialists in assessing the value of different market options for meeting the Departments needs. Post Investment evaluations are undertaken for all large scale investments and any lessons learned recorded for future reference. The DCSF is also proactive in this area, for example, it is working closely with Home Office in Sheffield, on a project to replace its HQ building with a better value asset, to learn from their recent experience (good and bad) of securing best value through a similar procurement.

Wider Market Activity

177. The sole category of Departmental assets used for commercial activity is property. The Department provides accommodation to a number of its NDPBs, (the Qualifications and Curriculum Authority, and Schools Food Trust) as well as the Home Office and the Department for Work and Pensions. The Students Loans Company, whilst an NDPB, has a commercial contract with the Department and occupies part of the Darlington building. Capita is a commercial tenant and also occupied part of the Darlington site.

Conclusion

178. Ten years of sustained investment has injected new life into the Department sectors, delivering better services and facilities, leading to improvements in outcomes and educational results for children and young people. Yet there is still more to do, which is why education spending will continue to grow as a percentage of Gross Domestic Product (GDP). It will help ensure that children and young people are equipped to meet the challenges of rapid global, demographic and economic change, ready to make their full contribution to the future prosperity of this country.