

Oral statement by the Secretary of State for Education– 5th July 2010

Mr Speaker, with your permission, I would like to make a statement on education funding.

This coalition Government is determined to make opportunity more equal and to reverse the decline in the performance of our education system relative to our international competitors.

Over the last ten years we have declined from 4th in the world for the quality of science education to 14th, 7th in the world for literacy to 17th and from 8th in the world for mathematics to 24th. At the same time the gulf between rich and poor has got wider, with the attainment gap between students in fee-paying schools and those in state schools doubling.

But the action necessary to improve our schools is made more difficult by the truly appalling state of the public finances left by the last Government.

This coalition has inherited

A National Debt approaching one trillion pounds

A Budget Deficit of One Hundred and Fifty Five Billion Pounds

And debt interest costs every year which are more than the entire schools budget

It is no surprise then that the last Labour Chancellor of the Exchequer felt he had to pledge a 50% cut in all capital spending, the last Labour Education Secretary could not make any firm promises to protect schools capital spending and the last Labour Chief Secretary to the Treasury left a letter saying simply – there is no money left...

Faced with the desperate mess left by the last administration this Government has had to prioritise.

And our first priority is raising the attainment of the poorest by investing in great teaching.

We know that the world's best education systems have the most highly qualified teachers.

We are fortunate the current generation of teachers are the best ever. But we must do better if we are to keep pace with the best.

No organisation has done more to attract brilliant new recruits into the classroom, than the charity Teach First. Since its launch, Teach First has placed hundreds of highly accomplished graduates in our most challenging schools, and has helped drive up attainment in those schools for the very poorest.

We believe that every child should have access to excellence, especially the poorest, which is why we will more than double the size of the programme – from 560 new teachers a year to one thousand one hundred and forty

We will help recruit hundreds more teachers into areas of poverty – so there will be Teach First teachers in one third of all challenging schools

And, breaking new ground, we will fund the permanent expansion of Teach First into Primary Schools so that more than 300 superb new teachers will be working in some of the country's most challenging primaries.

Therefore, in order to clear up the economic mess we have been left,

We have to bear down on the waste and bureaucracy which has characterised Labour's years in office and rein back projects which have not been properly funded.

Even before we formed this coalition Government, and had the opportunity to look properly at the scandalous mess we inherited we knew that Labour ministers had no proper respect for the public's money.

The whole process by which the Government procured new school buildings was a case in point.

The Building Schools for the Future scheme has been responsible for about one third of all this department's capital spending.

But throughout its life it has been characterised by massive overspends, tragic delays, botched construction projects and needless bureaucracy.

The BSF process has had nine meta-stages

- Preparation for BSF

- Project Initiation
- Strategic Planning
- Business Case Development
- Procurement Planning
- Procurement
- Contractual Close
- Construction
- And then Operation

Each of these meta stages has a series of sub-stages

Meta Stage 3 – Strategic Planning – for example has had another 9 sub stages

Step 1 – Local Authorities produce a strategic overview of the education strategy

Step 2- Local Authorities produce a school and FE Estate summary

Step 3 - Local Authorities submit their plans to both the non-departmental public body Partnership for Schools - and the Department for Education – for approval

Step 4 – Once Ministers have approved Steps 2 and 3, Part 1 of the “Strategy for Change” is considered complete.

Step 5 – Local authorities produce another strategic overview – this time with “detail and delivery”.

Step 6 – Local authorities use the “school and FE estate summary” to develop an “estates strategy”

Step 7 – Local Authorities then seek executive approval on steps 5 and 6

Step 8 – Once they get executive approval, Local Authorities submit the same documents to the Department for Education.

Step 9 – Once the Department for Education approves, Part 2 of the “Strategy for Change” is complete.

I have here just the first three of the more than 60 official documents which anyone negotiating the BSF process needed to navigate

This whole process has been presided over by the Department for Education, the quango Partnership for Schools, and at various times has involved another body 4ps and Partnership UK.

Local authorities involved in this process have employed a Partnership for Schools Director, a Department for Education Project Adviser, a 4ps adviser and an enabler from CABE – the Council for Architecture and the Built Environment – another non-departmental public body.

Local authorities have also had to set up a Project Governance and Delivery structure normally including a project board of ten people, a separate project team of another ten people and a further, separate, stakeholder board of 20 people.

They formed the Core Group supervising the project.

Beyond them local authorities were expected to engage a Design Champion, a Client Design Adviser and the 4ps Gateway Review Team, a group of people who produce six separate Gateway Reviews over the course of the whole project.

It is perhaps no surprise that it can take almost three years to negotiate the bureaucratic process of BSF before a single builder is engaged or brick is laid.

There are some councils which entered the process six years ago which have only just started building new schools. Another project starting this year is three years behind schedule.

By contrast, Hong Kong International Airport, which was built on a barren rock in the South China Sea and can process fifty million passenger movements every year took just six years to build – from start to finish.

Given the massively flawed way in which it was designed, and led, BSF failed to meet any of its targets.

BSF schools cost three times what it costs to procure buildings in the commercial world and twice what it costs to build a school in Ireland.

The last Government was supposed to have built 200 wholly new schools by the end of 2008. It had only rebuilt 35 and refurbished 13.

The cost to each school for just participating in the early stages of the programme was equivalent to the cost of a whole newly qualified teacher.

The cost of setting up the procurement bureaucracy before building could commence – the so-called local education partnership or LEP – has been up to ten million pounds for each local area.

And this expenditure did not guarantee quality. One BSF school was built with corridors so narrow the whole building had to be reconstructed, another had to be closed because the doors could not cope with high winds, one was so badly ventilated additional mobile air conditioners had to be brought in during the summer and pupils were sent home.

And after thirteen years in power only 96 new schools out of a total secondary school estate of 3,500 schools have ever been built under BSF – the dilapidated school estate we have today is, alongside our broken public finances, Labour's real legacy. Far from using the boom years to build a new Jerusalem the last Government only managed to fix just under three per cent of roofs while the sun was shining.

The whole way we build schools needs radical reform – to ensure more money is not wasted on pointless bureaucracy, to ensure buildings are built on budget and on time, and to ensure a higher proportion of the capital investment we have gets rapidly to the frontline – to individual local authorities and schools which need it most.

Which is why I can announce today that a capital review team, led by John Hood, the former Vice-Chancellor of Oxford University, Sir John Egan, the former chief executive of BAA and Jaguar, Sebastian James, the Group Operations Director of Dixons Store Group, Kevin Grace, Tesco's Director of Property Services and Barry Quirk, Chief Executive of Lewisham Council, will look at every area of departmental capital spending to ensure we can drive down costs, get buildings more quickly and have a higher proportion of money going direct to the frontline.

In order to ensure we do not waste any more money on a dysfunctional process I am today taking action to get the best possible value for the taxpayer.

I will take account of the contractual commitments already entered into. But I cannot allow more money to be spent until we have ensured a more efficient use of resources.

Where financial close has been reached in a local education partnership the projects agreed under that LEP will go ahead. I will continue to look at the scope for savings in all these projects.

Where financial close has not been reached future projects procured under BSF will not go ahead. This decision will not affect the other capital funding in those areas. Schools will still receive their devolved capital allowance for necessary repairs. And the efficiencies we make now will ensure better targeting of future commitments on areas of greatest need.

However, there are some areas where although financial close has not been reached, very significant work has been undertaken to the point of appointing a preferred bidder at 'close of dialogue'. There are 14 such cases. In these cases 2 (or occasionally 3) projects have been prioritised locally as 'sample' projects, to be the first taken forward in the area. I will be looking in more detail over coming weeks at these 'sample projects' to see whether any should be allowed to proceed.

And because we believe in supporting those in greatest need my department will be talking to the sponsors of the 100 or so academy projects in the pipeline, with Funding Agreements, or which are due to open in the coming academic year, which are designed to serve students in challenging schools in our most deprived areas.

Where academies are meeting a demand for significant new places and building work is essential to meet that demand, where there is a merger and use of existing buildings would cause educational problems and where there is other pressing need I will look sympathetically on the need for building work to go ahead.

But where projects are some way from opening or academy sponsors can use existing buildings to continue their work of educational transformation any future capital commitments will have to wait until the conclusion of our review.

And that review is made all the more necessary because as pupil numbers rise in years to come we have to ensure our first duty is guaranteeing an expansion in capacity to meet that demographic growth.

Fortunately, in this coalition Government, we have a proper relationship between the Department for Education and the Treasury. Which is why we have deliberately reduced our forecast reliance on underspends elsewhere and brought our spending into line.

In the process we have kept capital spending within the envelope outlined by the last Government so there are no reductions beyond those the Treasury had budgeted for.

By bearing down on costs now we can ensure money will be available in the future to help secure additional places, to help the most disadvantaged pupils and to refurbish those schools in greatest need.

We have safeguarded frontline schools spending, frontline spending on surestart and frontline spending on school and college places for 16 to 19 year olds this year.

We have cut spending on wasteful quangos

We have cut the unnecessary bureaucracy which has swallowed up so much money

And we have reduced the amount spent on regional government, on field forces and on unnecessary Government inspection regimes

But we have prioritised funding for better teachers

We have invested more in the education of the poorest

And we are giving schools greater control of the money which has previously been spent on their behalf

For everyone who believes in reforming education that has to be the right choice and I commend this statement to the House.