



Rt Hon Michael Gove MP
Secretary of State

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Dear Mike,

PARTNERSHIPS FOR SCHOOLS – REMIT LETTER 2011-12

Partnerships for Schools (PfS) focuses on implementing a specific range of education policies. PfS's main responsibilities are to make payments to fund the different types of school building projects and to find accommodation solutions for new, autonomous schools. I am writing to confirm PfS's remit and budget for 2011-12.

First, I would like to thank PfS for your hard work in responding to the new challenges in taking forward the Coalition Government's ambition of radically reforming the education system. PfS has responded quickly to support our new priorities, including seeking efficiency savings following my decision to end the Building Schools for the Future (BSF) programme, and restructuring itself to support the Free Schools policy. I would also like to thank PfS for the valuable contribution the organisation has made to the work of the James Review which looks at all Departmental spend on building projects (capital funding).

Policy context, aims and aspirations

The schools White Paper, *The Importance of Teaching*, sets out a radical reform programme for the schools system, with schools freed from the constraints of central Government direction and teachers placed firmly at the heart of school improvement. It offers freedoms to all schools in a way that encourages them to work with each other to improve.

I look to PfS to work with the Department to support these reforms, which are absolutely essential if our children are to get the education they deserve. PfS will

play a particularly important role in helping to extend autonomy and freedom for schools in England, helping achieve our ambition that Academy status should be the norm for all state schools, with schools enjoying direct funding and full independence.

As well as this policy context, PfS is bound by documents which set out your management and financial arrangements in detail, and I will continue to require PfS to operate in accordance with these. I will also look to you and the Board to make sure that the Chief Executive properly discharges his responsibilities, including as PfS's Accounting Officer (answerable to Parliament for money spent), and that the rest of the PfS executive is effective in managing the business of PfS.

PfS has played a key role in supporting Sebastian James's review of all Departmental capital. The decisions that will follow publication of the final report from the review will have a profound impact on the future of the work that PfS currently carries out on behalf of the Department. I expect PfS to continue to work closely with the Department to ensure that the transition to new working arrangements is managed effectively.

Business planning, main activities and priorities

How you propose to take forward your 2011-12 remit should be set out in more detail in your business plan. As part of the business planning process, you will agree with the Department key performance measures and targets for 2011-12, together with a summary of the risks that are identified as ones that PfS can manage. These should be agreed with the Department early in 2011-12. PfS should refer to these in its next annual report and include an account of performance against this year's targets.

In addition to the annual report, the Department will require regular reports of performance in relation to the targets and measures that will be agreed. We will also require regular reports on a range of additional management information, both to enable detailed financial monitoring and overall programme management, and to inform future policy development. Some of the reporting will be a continuation of current requirements e.g. your monthly reporting on spend against your agreed budget. Other reports will be new requirements, as the Coalition Government seeks to ensure that public bodies carry out efficiency savings. The role of management information systems in supporting this is covered later on in this letter.

The remit of PfS includes implementation of the following capital programmes, and responsibility for maintaining accurate management information, managing running costs (revenue) and capital budgets, and making payments in respect of those programmes. It also includes the provision of any other information and services that the Department requires from PfS to discharge its responsibilities to Ministers, Parliament and the public.

Continuing BSF projects

My decision to bring the BSF programme to an end still leaves a large number of projects that will continue. PfS will continue to remain focused on delivering these

projects and will continue to work with Local Authorities (LAs) and others involved in the process to ensure that these projects are delivered on time and at minimum cost.

PfS will continue to work with LAs to help them manage ongoing contractual arrangements; manage business case approvals; and to deal with any Private Finance Initiative (PFI) contract or other issues. I will look to PfS to agree with LAs the maximum possible savings on the remaining BSF projects.

PfS recently completed discussions with individual LAs on options for making savings within these continuing projects. These savings options will be firmed up over the next few months and I expect PfS to work with LAs and the Department to monitor progress with achieving them, highlighting any potential issues early and, where appropriate, proposing and implementing plans for reducing delays.

Free Schools

PfS will continue to provide a wide range of support to the Free Schools policy as it expands rapidly to meet significant parental demand.

PfS shall enter into contracts for the purchase of freehold and leasehold interests in land and buildings, and to carry out land and building transfers and leases for the purposes of providing Free Schools where the projects have received approval to proceed from Ministers including, in some cases, in advance of formal business case approval.

We will include in the overall money you receive from the Department, a capital budget for PfS to pay out for such purposes.

Because this is a new policy area in which we are to some extent breaking new ground with, at this stage, many unknown factors, and because the case for providing any capital funding will be closely linked to the business case for the whole Free School, PfS will refer to the Department for prior approval for those business cases:

1. where the value of the expenditure is more than £10 million; or
2. where the acquisition of an asset or a liability could appear on PfS's or the Department's accounts; or
3. where the proposed funding would appear to be considered particularly novel, risky or contentious.

In such cases, we will want to make sure that the Department's Accounting Officer is protected, and that, where necessary, HM Treasury approval has been given.

You have had discussions with officials from the Department and HM Treasury about demonstrating value for money and the business case process for buying/leasing/refurbishing accommodation for new Free Schools. It will be important that an official from the Department is involved in the process, that it is seen as part

of the overall Free School business case approval process that the Department is developing, and that Treasury officials are invited to participate in the initial approvals as they have suggested would be appropriate.

Please would you make sure that you keep separate accounting arrangements for both the capital and revenue expenditure on Free Schools (including administrative costs), as this information will help to inform how we proceed with this policy in future years.

I have set out below a detailed breakdown of the scope of PfS's role in the establishment of Free Schools.

PfS's role prior to Ministers' decision that a Free School proposal should proceed to business case preparation:

Premises

- Advice and support to school proposers, as required, on:
 - site options - i.e. use of existing school site/lease of non-educational site/new build etc;
 - site search to provide alternative sites, if possible/necessary;
 - the suitability and sufficiency of site options, wherever possible;
 - the capital /revenue implications (including initial estimates) of any site options outlined by proposers, including ICT costs and value for money (VfM);
 - procurement options (including the use of PfS and contracts that have already been set up in other parts of Government);
 - the legal and commercial aspects of premises acquisition and development (e.g. leasing arrangements), where required (and in conjunction with Department for Education ((DfE)) colleagues - e.g. the Legal Advisers Office ((LAO)) - as necessary);
 - the timing implications of any site options (i.e. impact on possible opening dates), including key milestones where possible;
 - likely costs, issues and risks of proposed site options;
 - the development of an ICT strategy and (if necessary) educational vision that matches site options.
- Advice to DfE on the above, to support their assessment of initial Free School proposals; and
- An estimate of likely level of support required at business case stage from PfS on preparation of the business case, and on site acquisition/development; and
- Attendance and reporting at DfE Free School meetings.

Evidence of demand

- Advice to DfE, to support their assessment of initial Free School proposals, covering:
 - an assessment of evidence of demand provided by proposer;
 - an analysis of demographic demand in local area;
 - confirmation of any similar (existing or proposed) provision in local area;
 - any other relevant PfS intelligence or knowledge of LA views on/contact with proposers.

PfS's role after Ministers' decision that a Free School proposal should proceed to business case preparation:

Support to school proposers, as required, on:

- site options - i.e. what is possible and practicable;
- site search to provide alternative sites, if necessary;
- the suitability and sufficiency of site options;
- the capital /revenue implications (including detailed cost estimates) of any site options under consideration, including ICT costs;
- procurement options (including the use of PfS and contracts that have already been set up in other parts of Government);
- the legal and commercial aspects of premises and ICT acquisition and development (e.g. leasing arrangements), where required (and in conjunction with DfE colleagues - e.g. LAO - as necessary);
- the timing implications of any site options (i.e. impact on possible opening dates), including key milestones where possible;
- any issues and risks associated with site and ICT options;
- an appraisal of the premises and ICT options, including cost/benefit analysis, on the basis of which VfM can be demonstrated;
- presentation of the business case for any funding (capital or revenue) required for premises and ICT; and
- their analysis of demographic demand in the local area (through the provision of national and local data and intelligence).

Support to DfE on programme management and business case assessment:

- attendance and reporting at DfE Free School meetings.
- reports and advice on the progress of the premises aspects of proposals and business cases;
- advice on the estimated costs, including forward projections of costs, as required;

- advice to DfE on the premises/site/ICT aspects of Free School business cases and plans, and on specific business cases for funding of premises and site costs, including a VFM assessment of options taking into account life cycle costs; and
- advice to DfE, to support their assessment of Free School business cases/plans, covering:
 - an assessment of evidence of demand provided by proposer;
 - an analysis of population/demographic demand in local area;
 - confirmation of any similar (existing or proposed) provision in local area;
 - any other relevant PfS intelligence or knowledge of LA views on/contact with proposers.

Academies – National Framework and BSF

PfS will continue to work with DfE officials, LAs, Academy sponsors and their project managers, building contractors and others to agree the total amount of capital funding for projects, including any additional building costs because of site-specific issues, and advise on procurement of new accommodation for Academies. PfS will continue to participate in sign-off arrangements at key procurement stages, for example Outline Business Case, where the overall scheme is agreed on paper, and Final Business Case, where contracts can be signed to start construction.

Last year PfS took over responsibility, along with a number of posts, for providing ICT advice to Academies. I note that you have already made efficiency savings by combining the role of these advisers with your existing team which currently provides ICT advice to Free School proposers and DfE officials.

Academies – Converters

PfS will continue to provide advice to providers/sponsors of Academies on procurement, capital investment, ICT, legal and commercial issues.

University Technical Colleges (UTCs) and Studio Schools

PfS's role in supporting these policies is developing but you will need to provide advice to UTCs and Studio Schools on procurement, capital investment, ICT, legal and commercial issues

Academies – capital maintenance funding

As you will be aware, decisions before Christmas on capital funding allocations to Local Authorities included that a sum would be held by the Department to meet the building maintenance needs of Academies. This fund is intended for Academies with significant maintenance needs that cannot be met from the money we give them, as we do all schools, to fund routine maintenance. This is particularly important for those schools converting with buildings in a poor state of repair recognising that many sponsored Academies would generally have, or have in prospect, newer or refurbished buildings requiring less attention. I would like PfS to manage this in 2011-12, and my officials will contact PfS shortly to discuss the

allocation process and how we expect PfS to work with the Department and the Young People's Learning Agency to develop an effective scheme.

Payment of other capital grants to Local Authorities

On 13 December I announced details of allocation for new pupil places (Basic Need) and building maintenance capital funding for 2011-12 to schools and LAs. This is additional to the money LAs will receive for the continuing BSF projects.

PfS will continue to:

- make formula-based payments (e.g. a set amount per pupil) of capital grant to Voluntary Aided (VA) schools and to the maintaining LAs of other maintained schools for the schools to use on locally-decided capital projects;
- make formula-based payments of capital grant to LAs for Basic Need and maintenance to use on locally-decided capital projects;
- notify LAs, schools and others of their total capital allocations, where funding has been agreed, and reporting on projects involving private finance;
- monitor developing delays and/or funding pressures and manage programmes flexibly to ensure full spend; to meet new ministerial priorities or requests where possible, and provide information to the Department on the overall capital spending. Provide guidance to funding recipients and other stakeholders on schools capital programmes;
- manage the remaining projects funded through the co-location fund. All remaining projects are expected to be completed by September 2011;
- manage and make PFI revenue payments to LAs and provide advice on individual projects to DfE and local stakeholders; and to provide the Department with data on payments; and
- monitor and make payments of certain non-schools capital grant, for example in support of the Secure Children's Homes capital programme. These homes are licensed by the Secretary of State and are where young people can be placed for the protection of themselves or others ('welfare placements'). They can also be placed there under criminal justice legislation ('YJB placements').

Voluntary-Aided (VA) Capital Programme, including VA PFI payments

VA schools are maintained schools and usually have a religious character. These schools are eligible for capital funding from the Department. These schools are paid on a similar basis to other categories of school, but the governing body must usually pay at least 10% of the costs of capital work. Responsibility for work to VA school premises is shared between the school's governing body and the LA. In simple terms, the LA has responsibility for the playing fields and the governing body are

liable for all other capital expenditure. PfS will continue to be responsible for the VA capital programme, specifically:

- making capital grant payments to dioceses and other religious bodies, governing bodies and Trustees of VA schools;
- providing advice on legislation on VA matters, for instance asset disposal, VAT liability and Insurance matters;
- running the VA Capital Consultative group and advising on resultant issues;
- managing proposals from LAs for planned Locally Coordinated Voluntary Aided (VA) Programme (LCVAP) spend across their areas. The purpose of LCVAP is the modernisation of VA school buildings, to create new pupil places and to improve physical access to VA schools;
- making formula based maintenance payments (known as 'devolved formula capital') to schools; and
- making LCVAP payments to dioceses and other religious bodies, governing bodies and Trustees of VA schools.

Private Finance Unit

PfS will continue to support building projects that include significant private sector investment and will act as the Department's Private Finance Unit. Your responsibilities will include:

- scrutiny of PFI business cases consistent with HM Treasury guidance;
- ensuring that all PFI deals have arrangements in place for the effective operation and management of the contracts before approval of their final business cases and contracts are signed;
- providing a service to existing school PFI projects to assist with resolving contractual disputes and variations to contract; and
- advising Ministers on developments in PFI strategy and requirements.

Contract management in support of DfE programmes

PfS will continue to manage framework contracts to support schools capital projects, including Free Schools, Academies and UTCs. Specifically:

- the Contractors Framework for single procurement projects;
- the Property Adviser Framework contracts; and
- technical (surveyors, architects etc) and legal framework contracts.

School Building Design Guidance

PfS will continue to provide advice and guidance on all aspects of school building design and construction cost matters to ministers as well as to LAs and other stakeholders. To advise on School Premises Regulations, sustainability, and to maintain the 'Building Bulletins' and other building design guidance.

Pupil Place Planning

The effective use of accurate data on local area need for new pupil places to meet changes in population has for a number of years been an area requiring increased attention. This is a fact recognised by the James review of Departmental capital. PfS has already taken steps to enhance its existing pupil place planning function, and input should continue to be provided to the Department, including into the Free Schools process. This is an area of work that I will return to later in the year following my decisions on the final recommendations from the Capital Review.

PfS will continue to collect LA pupil forecasts as part of the annual School Capacity survey and use this information to calculate the number of surplus places each school has or whether it is over-capacity.

PfS will continue to ensure the data is passed annually to DfE statisticians for it to use in Basic Need allocations. There will also be ad-hoc requests for other data received as part of the survey (number on roll, school capacity etc), for example from the Office of the Schools Adjudicator.

This information is also used as part of the assessment process for new Free Schools, to establish the need for additional school places in local areas.

School Assets

PfS will continue to administer applications, and provide evidence for DfE officials to make recommendations to the Secretary of State on the disposal of assets where special statutory requirements apply. These include: school premises (regulations and relaxations from their requirements); disposal of playing fields; education Compulsory Purchase Orders; Education Endowment Orders, where, for example, church schools may seek to sell school land and then reinvest the proceeds for the benefit of other church schools; determinations as to land disposal; and closure or discontinuance of a Foundation, Trust or Voluntary school. PfS will also continue to provide advice on existing and proposed legislation on school assets including disposal.

Financial management and Accounting Officer responsibilities

PfS must continue to make accurate and timely capital payments to all of the local bodies it deals with, LAs, dioceses and other religious bodies, governing bodies and Trustees of VA schools.

It is important that the Department receives from PfS regular, timely and accurate financial reports, so that we can be assured that the resources delegated to PfS are being spent properly and prudently, and can provide the necessary assurances to HM Treasury. PfS should apply appropriate financial controls and procedures, including those set out in HM Treasury's *Managing Public Money* and *Financial Reporting and Expenditure Manual*.

PfS must continue to ensure that robust risk management systems are in place. The

Chief Executive is responsible to the DfE Permanent Secretary, as Principal Accounting Officers, and to Parliament for the assets and funds distributed by PfS.

Specific duties include obtaining Section 151 Officer returns on LA capital grant expenditure. The Section 151 person is a qualified officer in an LA who is responsible for ensuring the proper administration of the LA's financial affairs.

Information Management

PfS must ensure that it has comprehensive and robust data on all of the programmes within its remit. PfS will support DfE officials by providing up-to-date, accurate management information on the schools capital budgets, allocations and spend, and including individual BSF, Academy and Free School procurements. For 2011-12 PfS has been provided with a budget to take forward the development of improved management information systems and I ask you to make sure that PfS liaises with officials in the Department to ensure that developments support known policy requirements.

Supporting Parliamentary Business

PfS has always supported Ministers and officials in handling Parliamentary business. The level of this support has increased dramatically over recent years as PfS has been given responsibility for more and more of the Department's capital programmes. This includes contributions to policy development, correspondence, Parliamentary Questions and briefing covering capital issues. It also includes any other information held by PfS that DfE officials require to discharge their responsibilities to Ministers, Parliament and the public.

We expect PfS to provide this support, paying particular attention to:

- timeliness – bearing in mind the deadlines given for each piece of work;
- clarity, including absence of jargon, and accuracy and clarity of the language;
- the extent to which text relates to the needs and concerns of the person or organisation with which DfE is communicating;
- the accessibility and accuracy of supporting data; and
- the extent to which text meets the needs of the Minister or official who has to use the supplied material.

The section above on Information Management is directly relevant in enabling PfS to provide a high-quality service in this regard.

Responding to change

As I said at the beginning of this letter, 2011-12 will be a period of change for PfS. Decisions that are made following the final recommendations of the Capital Review will have a profound impact on the future of the work that PfS currently carries out on behalf of the Department. I look to PfS to continue to demonstrate flexibility in meeting new responsibilities and to work constructively with the Department to ensure that any new working arrangements are agreed quickly and in a way that

best supports the Department to discharge its responsibilities, including ensuring a smooth transition to any new ways of working.

Resources

The amount of money to be paid to PfS (known as grant-in-aid) in any financial year is decided having regard to the PfS remit and the available resources within the Department's spending review settlement. PfS should keep within its agreed budget and apply financial controls and procedures, including those set out in HM Treasury's *Managing Public Money and Financial Reporting and Expenditure Manual*.

For the financial year 2011-12, the Department will provide a net funding requirement as grant-in-aid up to a limit of **£5.13 billion**.

Administrative budgets

A revenue budget of £22.2m, which includes the following budget headings:

- a staffing budget of £11.1m to meet the costs of staff employed directly in support of the capital programmes covered by this remit;
- a contracts budget of £4.5m to meet costs associated with: procuring technical, legal and financial advice in support of Free School procurement; PFI support; establishing new Framework contracts in support of DfE programmes; and other contracts, grants and other costs incurred in the direct support of programme delivery;
- an overheads budget of £4.2m to meet costs associated with: travel and subsistence; information and advice; staff restructuring and terms and conditions harmonisation; and costs for staff unallocated to specific remit tasks; and
- an estates budget of £2.4m.

This administrative budget is based on the work PfS has done to realise efficiencies following the decision to end the BSF programme, whilst expanding your remit to support the substantial number of new Free Schools that will need PfS's support over the next 12 months. The budget has been scrutinised by the DfE Board Non-Executive Directors and I am content that it represents good value for money.

Programme budgets

A revenue budget of £611.2m, consisting of:

- £580m to cover payments to Local Authorities of the revenue support grant for operational PFI projects;
- £16m to cover payments to Local Authorities of the revenue support grant for PFI projects in the BSF pipeline which will become operational during the year; and

- £15.2m for Voluntary Aided schools with operational PFI contracts.

A capital budget of £4.5bn

Budgets may be revised during the year to match Ministers' priorities. Budget changes will be discussed with PfS and will be set out in amendments to your remit.

PfS will be responsible both for managing and administering capital funds in line with the objectives and procedures that have been established for each programme, and for managing the financial risks inherent in large capital programmes, for example the risk of committing to support more projects than the available resources justify and over- or under-spending.

It is important for the Department to receive from PfS regular, timely and accurate financial reports so that we can all be assured that the resources delegated to PfS are being spent properly and prudently, and also that we can provide the necessary assurances to HM Treasury.

ALB REFORM PROGRAMME

The Coalition Government is committed to the Arms Length Body (ALB) Reform Programme as a means of radically increasing the transparency and accountability of all public services. The reform process, which covers all of HM Government's Non-Departmental Public Bodies (NDPBs) as well as other public bodies, is designed to help reinvigorate the public's trust in democracy and also to ensure that the Government operates in a more efficient and business-like way. The programme will ensure we have the right organisations in place to implement Government policy and it will play a major part in delivering savings over the next four years.

As you know, in the DfE we are in the process of reducing the number of ALBs and improving accountability by bringing some of the work previously done by ALBs back in to the Department and creating Executive Agencies which are more directly within the Department's control; removing duplication; looking for ways to achieve efficiencies and cost reductions through the sharing of services; and better aligning our ALB sector with the rest of the Education system. PfS has a significant role to play in making this vision a reality and we expect to work with you over the coming year to implement any planned changes to your organisation or reforms we are making to all our ALBs.

TRANSPARENCY

The Government remains committed to greater transparency so that the public can hold politicians and public bodies to account. As part of this you are already publishing information on spending on salaries, organisational costs and services you buy. In line with all Government departments and Arms Length Bodies you have already published individual salary information for your senior staff earning over £120,000, along with organisation charts to demonstrate the groups of people your

senior staff are responsible for, and the costs of these groups.

We expect you to continue to publish this data and to continue to co-operate with transparency requests, ensuring data is submitted to deadline and in the required format.

EFFICIENCY CONTROLS REMAIN IN PLACE

The Efficiency Reform Group was established by the Cabinet Office in 2010. It has brought together expertise from across Government: from different parts of Cabinet Office, HM Treasury, and the Office of Government Commerce. It aims to make Government more efficient (by reducing operational overheads to give taxpayers better value and allow resources to be focused on key priorities); and to reform radically the way public services are provided (to ensure they meet rising public expectations, improving transparency and accountability and shifting power to people and creating the Big Society).

The Efficiency Reform Group has introduced a series of financial and management controls to make sure that only essential recruitment and procurement activity is undertaken by Government Departments and organisations like PfS which are funded by Government. These controls include:

- a freeze on all external recruitment;
- Treasury approval for appointments with salary packages which total more than the Prime Minister's salary of £142,500;
- a freeze on new advertising and spending on marketing;
- a freeze on new contracts and contract extensions; and changes to ICT projects of over £1 million and a review of all existing ICT projects;
- a freeze on any new spending on consultancy services from outside bodies;
- a ban on new property acquisitions, property leases and lease extensions; and
- all other procurement subject to stringent Value For Money appraisal and reporting of all spend to HM Treasury on a monthly basis.

In certain specific circumstances exemptions can be sought by your Chief Executive. Exemptions need to be cleared by the Department, HM Treasury or the Cabinet Office depending on the nature of the exemption. The details of the various exemption processes were sent to your organisation in July 2010.

NEW TREATMENT OF ADMINISTRATION BUDGETS

You will be aware that there are changes to the administration budget for

Department's Arms Length Bodies (ALBs), which include PfS starting in the 2011-12 financial year. Most significantly, the administration budgets for ALBs are being met from the Department's own overall administration allocation.

Administration budgets cover the costs of all activities not related to direct frontline service provision or in support of frontline service delivery. The Department has provided PfS with detailed guidance on the types of spending which are considered as administrative activity; for PfS this will include items such as staff salaries, pensions, accommodation and office services (including stationery, telephone charges and computer maintenance). It is important that PfS works closely with the Department's Sponsorship and Finance teams to make sure this guidance is followed.

GOVERNANCE AND RISK

It is vital that PfS has in place robust processes which can help it identify difficulties which might hamper delivery. We expect to see both robust processes for spotting such difficulties early and dealing with them effectively so that service delivery is maintained. PfS should also continue to work with the Department to make sure there are appropriate external checks on the work it delivers, as required by the Permanent Secretary. I expect PfS to raise immediately with the Department any potential problems related to delivery including any arising from organisations with which you are working.

REDUCING BUREAUCRACY AND RED TAPE IN SCHOOLS

In addition we will require PfS to support the Coalition Government's drive to reduce bureaucracy in schools by streamlining communications, removing central prescription and minimising data collections.

With every good wish,

Michael


MICHAEL GOVE